

Village of Oak Hill
Jackson County
Regular Audit
For the Years Ended December 31, 2013 and 2012



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Dave Yost • Auditor of State

Village Council
Village of Oak Hill
415 North Front Street
Oak Hill, Ohio 45656

We have reviewed the *Independent Auditor's Report* of the Village of Oak Hill, Jackson County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 16, 2015

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Village of Oak Hill
Jackson County
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Independent Auditor's Report

Village Council
Village of Oak Hill
415 North Front Street
Oak Hill, Ohio 45656

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Oak Hill, Jackson County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintain internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse, qualified and unmodified audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Qualified Opinions

The accompanying financial statements for the year ended December 31, 2012 present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires villages to classify receipt and disbursement transactions.

We were unable to obtain sufficient appropriate audit evidence to support the receipts and disbursements for the Mayor's Court Fiduciary Fund for the year ended December 31, 2013 which makes up 100 percent of the receipts and disbursements for the Fiduciary Fund Type. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualifications

In our opinion, except for the omission of receipt and disbursement classifications matter discussed in the *Basis for Additional Qualified Opinions*, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Oak Hill, Jackson County, Ohio, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Also in our opinion, except for the possible effects of the matter described in the *Basis for Additional Qualified Opinions* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Oak Hill, Jackson County, Ohio, as of December 31, 2013 and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Unmodified Opinions

In our opinion, except for the omission of receipt and disbursement classifications referred to above, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Oak Hill, Jackson County, Ohio, as of December 31, 2012, and its combined unclassified cash receipts and disbursements for the year then ended in accordance with the reporting provisions Ohio on the accounting basis described in Note 1.

Also, in our opinion, except for the fiduciary fund type, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Oak Hill, Jackson County, Ohio, as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of a Matter

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As described in Note 10 to the financial statements, the Village has been suffering declining general fund balances due to disbursements exceeding receipts, which raises substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Village of Oak Hill
Jackson County
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, on the 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. That report describes the scope of our internal control testing over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 29, 2014

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, 2013

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$ 107,996	\$ 136,545	\$244,541
Intergovernmental	73,678	128,339	202,017
Charges for Services	769	19,901	20,670
Fines, Licenses and Permits	35,764	7,721	43,485
Earnings on Investments	4,024	349	4,373
Miscellaneous	18,736	684	19,420
Total Cash Receipts	240,967	293,539	534,506
Cash Disbursements:			
Security of Persons and Property	208,762	98,425	307,187
Public Health Services	7,962	72,058	80,020
Basic Utility Services	10,960	0	10,960
Transportation	0	79,627	79,627
General Government	53,524	2,360	55,884
Capital Outlay	0	23,623	23,623
Debt Service:			
Redemption of Principal	11,186	0	11,186
Interest and Other Fiscal Charges	456	0	456
Total Cash Disbursements	292,850	276,093	568,943
Net Change in Fund Cash Balances	(51,883)	17,446	(34,437)
Other Financing Sources (Uses):			
Other Financing Sources	355	0	355
Other Financing Uses	(109)	0	(109)
Total Other Financing Sources (Uses)	246	0	246
Excess of Cash Receipts and Other Financing Sources			
Over (Under) Cash Disbursements and Other Financing Uses	(51,637)	17,446	(34,191)
Fund Cash Balances, January 1	(51,237)	458,727	407,490
Nonspendable		1,600	1,600
Restricted			
Cemetery	-	103,024	103,024
Community Development	-	182,455	182,455
Drug and Alcohol Education and Enforcement	-	17,323	17,323
Economic Development	-	59,858	59,858
Police Operations	-	7	7
Road Maintenance and Improvements	-	111,906	111,906
Unassigned	(102,874)	-	(102,874)
Fund Cash Balances, December 31	(\$102,874)	\$476,173	\$373,299

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 Fiduciary Fund Types
For the Year Ended December 31, 2013

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 779,467	\$0	\$779,467
Miscellaneous	452	0	452
Total Operating Cash Receipts	779,919	0	779,919
Operating Cash Disbursements:			
Personal Services	162,060	0	162,060
Employee Fringe Benefits	83,067	0	83,067
Contractual Services	917	0	917
Supplies and Materials	342,036	0	342,036
Other	134,595	0	134,595
Total Operating Cash Disbursements	722,675	0	722,675
Operating Income	57,244	0	57,244
Non-Operating Cash Receipts:			
Property and Other Local Taxes	22,596	0	22,596
Intergovernmental	3,959	0	3,959
Proceeds from Debt	202,526	0	202,526
Miscellaneous	11,752	0	11,752
Unclaimed Funds	0	265	265
Other Non-Operating Receipts	0	30,976	30,976
Total Non-Operating Cash Receipts	240,833	31,241	272,074
Non-Operating Cash Disbursements:			
Interest and Other Fiscal Charges	33,070	0	33,070
Principal	311,042	0	311,042
Capital Outlay	4,563	0	4,563
Other Non-Operating Disbursements	8,254	25,387	33,641
Total Non-Operating Cash Disbursements	356,929	25,387	382,316
Net Receipts Over/(Under) Disbursements	(58,852)	5,854	(52,998)
Fund Cash Balances, January 1	532,853	0	532,853
Fund Cash Balances, December 31	\$474,001	\$5,854	\$479,855

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

Village of Oak Hill
Jackson County
*Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Cash Receipts	359,716	284,838	\$644,554
Total Cash Receipts	359,716	284,838	644,554
Cash Disbursements:			
Cash Disbursements	372,889	201,562	574,451
Total Cash Disbursements	372,889	201,562	574,451
Net Change in Fund Cash Balance	(13,173)	83,276	70,103
Fund Cash Balances, January 1	(38,064)	375,451	337,387
Assigned	4,028	-	4,028
Nonspendable	-	1,600	1,600
Restricted	-	457,127	457,127
Unassigned	(55,265)	-	(55,265)
Fund Cash Balances, December 31	(\$51,237)	\$458,727	\$407,490

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

Village of Oak Hill
Jackson County
*Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and Changes in
Fund Cash Balances*
Proprietary Fund Type
For the Year Ended December 31, 2012

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Cash Receipts	\$ 1,472,942
Total Operating Cash Receipts	1,472,942
Operating Cash Disbursements:	
Cash Disbursements	1,458,138
Total Operating Cash Disbursements	1,458,138
Operating Income	14,804
Fund Cash Balances, January 1	518,049
Fund Cash Balances, December 31	\$ 532,853

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

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies

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, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and trash utilities; park operations; maintenance of roads; and police services. The Village contracts with the Madison-Jefferson Joint Fire District to receive fire protection services.

The Village participates in the Public Entities Pool of Ohio which is a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Village did not classify its receipts and disbursements in the accompanying financial statement for the year ended December 31, 2012. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code requires classifying receipts and disbursements.

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

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit at cost and U.S. Series EE Paper Savings Bonds at face/denomination amount.

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:

General Fund

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

Special Revenue Funds

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

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Cemetery Fund – This fund receives property tax monies to maintain the Village’s cemetery.

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

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 and businesses to cover water service costs.

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

Trash Fund – This fund receives charges for services from residents and businesses to cover trash service costs.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end. Appropriation measures were not filed with the County Auditor for 2012.

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. Estimated resources were not prepared for 2012.

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 re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of the 2013 and 2012 budgetary activity appears in Note 3.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balance

The fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

Nonspendable

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed

Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Note 2 – Equity in Pooled Deposits and Investments

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

	2013	2012
Demand deposits	\$727,449	\$814,862
Certificates of deposit	124,105	123,881
Total deposits	851,554	938,743
U.S. Savings Bonds	1,600	1,600
Total deposits and investments	\$853,154	\$940,343

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool or pledged collateral.

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

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$220,000	\$241,322	\$21,322
Special Revenue	275,436	293,539	18,103
Enterprise	1,002,000	1,020,752	18,752
Total	\$1,497,436	\$1,555,613	\$58,177

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$269,922	\$292,959	(\$23,037)
Special Revenue	607,890	276,093	331,797
Enterprise	1,453,628	1,079,604	374,024
Total	\$2,331,440	\$1,648,658	\$682,784

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 3 – Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$359,716	\$359,716
Special Revenue	0	284,838	284,838
Enterprise	0	1,472,942	1,472,942
Total	\$0	\$2,117,496	\$2,117,496

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$372,889	(\$372,889)
Special Revenue	0	201,562	(201,562)
Enterprise	0	1,458,138	(1,458,138)
Total	\$0	\$2,032,589	(\$2,032,589)

Contrary to Ohio law, the Village Council did not approve appropriations or supplemental appropriations for 2012 and file the documents with the County Auditor. In addition, the Village did not have estimated resources for 2012. Also, contrary to Ohio law, the Village did not encumber all commitments required by Ohio law.

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (2441)	\$58,776	2.20%
Ohio Water Development Authority Loan (5340)	141,477	5.28%
Ohio Water Development Authority Loan (5884)	577,125	3.79%-3.35%
Ohio Public Works Commission (CO08N)	166,250	0.00%
Ohio Public Works Commission (CO36F)	28,608	0.00%
Ohio Public Works Commission (CO05H)	37,129	0.00%
Ohio Public Works Commission (CT78M)	71,398	0.00%
Wesbanco Loan (122226)	176,268	2.75%
Milton Banking Company Loan (7790083)	11,478	2.60%
Total	<u>\$1,268,509</u>	

The Ohio Water Development Authority (OWDA) loan #2441 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. As of December 31, 2013, only \$962,432 was drawn and the loan status indicates this loan as closed. The Village will repay the loans in semiannual installments of \$29,871, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5340 originated in October 2009 to fund planning and design costs on a sewer collections improvement project, including the pay-off of OWDA loan #4905. The loan was approved in the amount of \$185,645. As of December 31, 2013, only \$178,606 has been drawn. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5884 originated in June 2011 to fund a waterline replacement project. The loan was approved in the amount of \$599,437. As of December 31, 2013, the full amount has been drawn. 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 CO12E is an interest-free loan that was obtained for a water system improvement project. The loan originated in 2004 in the amount of \$52,014. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$1,416 over 10 years. This loan was paid in full prior to December 31, 2013.

The Ohio Public Works Commission loan CO08N is an interest-free loan that was obtained for a water line replacement project. The loan originated in 2012 in the amount of \$175,000. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$2,917 over 30 years.

Village of Oak Hill
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Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Debt (Continued)

The Ohio Public Works Commission loan CO36F is an interest-free loan that was obtained for a sewer system rehabilitation project. The loan originated in 2004 in the amount of \$52,014. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$1,300 over 20 years.

The Ohio Public Works Commission loan CO05H is an interest-free loan that was obtained for a sewer system rehabilitation project. The loan originated in 2005 in the amount of \$59,407. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$1,485 over 20 years.

The Ohio Public Works Commission loan CT78M is an interest-free loan that was obtained for a sewer collection repairs and water system telemetry project. The loan originated in 2009 in the amount of \$125,000. However, only \$76,498 has been drawn and the project has been identified as closed. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$2,083 over 30 years.

The Wesbanco loan #122226 was obtained in 2013 in the amount of \$197,963 at 2.75% interest. The loan was for the purpose of paying the remaining principal and interest balances on outstanding WesBanco Loan #1725201. Water and sewer receipts collateralized this loan. The Village will repay the loan in monthly installments of \$3,539 over 5 years.

The Wesbanco (formerly Oak Hill Bank) loan #1725201 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 on outstanding Farmers Home Administration loans. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$2,596 over 18 years. This loan was paid in full prior to December 31, 2013

The Wesbanco (formerly Oak Hill Bank) loan #1139601 was obtained in May 2006 in the amount of \$114,127 at 3.90% interest. The loan was for the purpose of purchasing a 2006 international loader. The loan is collateralized by equipment. The Village will repay the loan in semiannual installments of \$1,783 over 6 years. This loan was paid in full prior to December 31, 2013

The Wesbanco (formerly Oak Hill Bank) loan #1126601 was obtained in April 2006 in the amount of \$13,912 at 3.90% interest. The loan was for the purpose of purchasing a 2006 Cheverolet Silverado. The loan is collateralized by the vehicle. The Village will repay the loan in semiannual installments of \$217 over 6 years. This loan was paid in full prior to December 31, 2013

The Wesbanco (formerly Oak Hill Bank) loan #1125601 was obtained in April 2006 in the amount of \$13,912 at 3.90% interest. The loan was for the purpose of purchasing a 2006 Cheverolet Silverado. The loan is collateralized by the vehicle. The Village will repay the loan in semiannual installments of \$217 over 6 years. This loan was paid in full prior to December 31, 2013

The Milton Banking Company loan #7734093 was obtained in August 2008 in the amount of \$49,169 at 3.50% interest. The loan was for the purpose of purchasing a garbage bed. The loan is collateralized by the equipment. The Village will repay the loan in monthly installments of \$1,101 over 4 years. This loan was paid in full prior to December 31, 2013

The Milton Banking Company loan #7790083 was obtained in December 2011 in the amount of \$33,563 at 2.60% interest. The loan was for the purpose of purchasing a garbage bed. The loan is collateralized by the equipment. The Village will repay the loan in monthly installments of \$970 over 3 years.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Debt (Continued)

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

Year ending December 31:	OWDA	OPWC	Wesbanco	Milton Banking Company
2014	\$56,079	\$13,954	\$42,464	\$11,642
2015	72,729	13,954	42,464	0
2016	42,858	13,954	42,464	0
2017	42,858	13,954	42,464	0
2018	42,858	13,954	17,693	0
2019-2023	214,291	69,772	0	0
2024-2028	214,291	51,943	0	0
2029-2033	170,123	41,916	0	0
2034-2038	167,880	41,916	0	0
2039-2042	117,515	28,068	0	0
Total	<u>\$1,141,482</u>	<u>\$303,385</u>	<u>\$187,549</u>	<u>\$11,642</u>

Note 6 - Retirement Systems

The Village’s police officers belong to the Ohio Police & Fire Pension Fund (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 these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2013.

Note 7 – Risk Management

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 7 – Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012.

	2013	2012
Assets	\$34,411,883	\$34,389,569
Liabilities	(12,760,194)	(14,208,353)
Net Assets	\$21,651,689	\$20,181,216

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village’s share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2013	2012
\$19,917	\$13,727

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grants 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.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 9 – Compliance

- The Village did not timely or accurately file the certificate showing total amounts available from all sources available for expenditure and the balances existing at the end of the preceding year to the County Auditor for 2012 or 2013, which is contrary to Ohio Revised Code Section 5705.36.
- The Village did not file permanent appropriations for 2012 with the County Auditor or pass appropriations for 2012, which is contrary to Ohio Revised Code Section 5705.38(A).
- The Village had expenditures in excess of appropriations in 2012 and 2013, which is contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not properly approve advances between funds in 2012 and also had inappropriate advances between funds during 2012, which is contrary to the Ohio Revised Code Section 5705.10.
- The Village did not always properly encumber funds in 2012 and 2013, which is contrary to Ohio Revised Code Section 5705.41(D).
- The Village did not always record expenditures against proper funding sources, which is contrary to Ohio Revised Code Section 5705.10.
- The Village did not always record expenditures from proper funds in 2012 and 2013, which is contrary to Ohio Revised Code Section 5705.41(C).
- The Village had negative fund balances in the general fund in 2012 and 2013, which is contrary to Ohio Revised Code Section 5705.10.
- The Village had appropriations in excess of estimated resources in 2012 and 2013, which is contrary to Ohio Revised Code Section 5705.39.
- The Village established funds without the proper approval, which is contrary to Ohio Revised Code Section 5705.09.
- The Village did not present classified financial statements for 2012, which is contrary to Ohio Administrative Code Section 117-2-02(A).
- The Village did not keep a docket in accordance with Ohio Revised Code Section 1905.21.
- The Village did not properly transmit money in accordance with Ohio Revised Code Section 2949.091.

Note 10 – Management’s Plan

For the years ended December 31, 2013 and 2012, the Village had decreases in fund cash balances in its general fund of \$51,637 and \$13,173, respectively. Also, at December 31, 2013 and 2012, the Village had negative fund cash balances of \$102,874 and \$51,237, respectively.

In an effort to stabilize the Village’s fiscal condition, the Village Council adopted Ordinance 10-2013 passed on December 11, 2013, which implemented a ½% income tax with tax collections to begin April 1, 2014. This is expected to strengthen the general fund’s cash balances.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Oak Hill
415 North Front Street
Oak Hill, Ohio 45656

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, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 29, 2014, wherein we noted the Village followed accounting financial reporting provisions Ohio Revised Code Section 117.38 and the Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion on the financial statements for the year ended December 31, 2012 due to the Village not classifying receipts and disbursements as required by OAC 117-2-02(A). We also qualified our opinion on the fiduciary fund type for the year ended December 31, 2013 due to the lack of sufficient appropriate audit evidence supporting amounts recorded for the Mayor's Court activity. We further noted, as described in Note 10, the accompanying financial statement have been prepared assuming that the Village will continue as a going concern. 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 of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-010 through 2013-015 and 2013-017 to be material weaknesses.

Village of Oak Hill
Jackson County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-001 through 2013-010 and 2013-014 through 2013-016.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 29, 2014

Village of Oak Hill
Jackson County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding 2013-001 – Noncompliance – Certificate of Total Amounts Available & Certificates of Estimated Resources

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units shall certify to the County Auditor that total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Revised Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The Village Fiscal Officer did not timely file the certificate showing total amounts from all sources available for expenditures and the balances existing at the end of the preceding year to the County Auditor for 2013. We further note that the Village Fiscal Officer could not produce information regarding the Official and Amended Official Certificates of Estimated Resources for 2012. The Village Fiscal Officer should timely and accurately certify the total amounts from all sources available for expenditures and the balances existing at the end of the preceding year to the County Auditor on or about the first day of each fiscal year. Further, the Village Fiscal Officer should maintain the Official and any Amended Certificates of Estimated Resources.

Client Response:

Officials chose not to respond.

Finding 2013-002 – Noncompliance – Adoption of Appropriations

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st.

Ohio Revised Code 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.”

Village of Oak Hill
Jackson County
Schedule of Findings and Responses
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Finding 2013-002 – Noncompliance – Adoption of Appropriations (Continued)

The Village Council did not pass an appropriation measure timely for 2012 or 2013. The Village Fiscal Officer did not file the 2012 appropriation measure with the County Auditor. Failure to properly approve appropriations measures could result in overspending due to a lack of monitoring. Failure to properly document such actions within the minutes results in an inaccurate and incomplete record of proceedings. The Village should adopt an appropriation measure on or about the first day of each fiscal year and file the measure with the County Auditor. Furthermore, monitoring procedures should be enhanced to ensure documents are being properly approved, filed with the County Auditor, and notated within the minutes.

Client Response:

Officials chose not to respond.

Finding 2013-003 – Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. For 2013, expenditures exceeded appropriations in several funds. For 2012, there were no approved appropriations on file, therefore all expenditures from all funds exceeded appropriations. This could result in overspending and negative fund balances if not properly monitored. The Village Council should adopt appropriations and file them with the County Auditor annually. Further, the Village should monitor financial activity to ensure their expenditures do not exceed the amount appropriated and the amount appropriated does not exceed the amount of resources available.

Client Response:

Officials chose not to respond.

Finding 2013-004 – Noncompliance – Advances

Ohio Revised Code Section 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 payment within the current or succeeding year and cash advances are subject to the following requirements, as outlined in Auditor of State Bulletin 97-2003.

- 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.

During 2012, advances of cash were made which were not approved by a formal resolution of the Village Council. Additionally, advances were made between funds for which there was no evidence that the creditor fund’s purpose for these advances were consistent with the debtor fund’s purpose. Audit adjustments were proposed and recorded to the financial statement to eliminate this activity.

Village of Oak Hill
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Finding 2013-004 – Noncompliance – Advances (Continued)

The Village Fiscal Officer should review the Ohio Revised Code and Auditor of State Bulletin 97-003 regarding advances to ensure future advances and transfers of monies are made in accordance with legislative requirements and requirements outlined in the bulletin. In addition, all advances should be approved by a formal resolution of the Village Council and recorded in the minute record.

Client Response:

Officials chose not to respond.

Finding 2013-005 – Noncompliance – Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditures of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriate account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expenses. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Village of Oak Hill
Jackson County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding 2013-005 – Noncompliance – Prior Encumbrance of Funds (Continued)

During testing, we noted several transactions tested were not certified by the Village Fiscal Officer at the time of commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 Village Fiscal Officer certify that the 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 that no orders involving the expenditure of money be made unless the Village Fiscal Officer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

Client Response:

Officials chose not to respond.

Finding 2013-006 – Noncompliance – Improper Expenditures from Funding Sources

Ohio Revised Code Section 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

The Cemetery Fund (2031) has been established by the Village to maintain the cemetery. The fund receives property tax settlements for operation and maintaining the cemetery and charges for services from the sale of lots and grave openings. A portion of the Fiscal Officer's salary was recorded in the Cemetery Fund, which does not relate to the purpose for which the fund was established.

The Jackson County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of all tangible personal property in the County, including motor vehicles, not subject to the sales tax. The sales tax is allocated fifty percent to the County's General Fund and fifty percent to the Sales Tax Trust Agency Fund, from which the proceeds are distributed to the various taxing districts within the County for use on community improvement projects. The Village received permissive sales tax payments from the Jackson County Community Improvement Board during 2012 and 2013. These monies are posted to the Permissive Sales Tax Fund (2111). However, we identified debt payments from this fund that were made to meet debt obligations of other funds.

Article XII, Section 5a of the Ohio Constitution states that no moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

Village of Oak Hill
Jackson County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding 2013-006 – Noncompliance – Improper Expenditures from Funding Sources (Continued)

The Village receives tax monies from the State Treasury to be used to plan, construct, reconstruct, repave, widen, maintain, repair, clear, and clean public highways, roads, and streets; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to pay the costs apportioned to the municipal corporation; to purchase, erect, and maintain traffic lights and signals; to pay the principal, interest, and charges on bonds and other obligations issued for the purpose of acquiring or constructing roads, highways, bridges, or viaducts or acquiring or making other highway improvements for which the municipal corporation may issue bonds; and to supplement revenue already available for such purposes. We noted certain expenses paid from the Street Construction, Maintenance and Repair Fund (2011) that were not consistent with the requirements to which such funds are subject.

Expenditures were made from improper funding sources. Adjustments have been posted to the 2012 and 2013 financial statements as well as the Village's accounting records. The Village should review expenditure postings and allocations to ensure that expenditures are posted to the proper fund in which the purpose of the fund is consistent with the purpose of the disbursement.

Client Response:

Officials chose not to respond.

Finding 2013-007 – Noncompliance – Negative Fund Balances

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2013 and 2012, the Village had negative fund cash balances in its general fund. The Village should implement proper budgetary procedures to ensure that fund balances do not run into the negative.

Client Response:

Officials chose not to respond.

Finding 2013-008 – Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. In 2013, the County Auditor sent a certificate that the appropriations exceeded estimated resources. In 2012 the Village did not submit Estimated Resources or an appropriation measure to the County Auditor. The Village should pass official or amended official certificate of estimated resources, submit to the county auditor, and ensure that appropriations do not exceed estimated resources.

Client Response:

Officials chose not to respond.

Village of Oak Hill
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Finding 2013-009 – Noncompliance – Establishing Funds

Ohio Revised Code Section 5705.09 states that each subdivision must establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- A special fund for each public utility operated by a subdivision; and
- A trust fund for any amount received by a subdivision in trust.

During our audit, we noted the following:

During 2012 and 2013, four new funds were created. Out of the four funds, only one had documentation of Council approval. Additionally, the Village did not have documentation that two of these funds were properly authorized by Ohio Revised Code or other statute. As a result, these funds were adjusted back to the General Fund.

Failure to properly document the authorization to establish new funds could result in an adjustment to remove unauthorized funds, and noncompliance. The Village should properly document the authorization of each new fund. This includes, but not limited to, documentation of Council approval in the minutes, a copy of the Ohio Revised Code authorization of establishment, and the authorization to open the fund from the grantor agency, legal councilor and/or the Auditor of State, as required.

Client Response:

Officials chose not to respond.

Finding 2013-010 – Noncompliance/Material Weakness – Expenditure from Improper Funds

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. Section 5705.41(C) states that expenditures may only be made by a proper warrant drawn against an appropriate fund.

The compensation of employees and officers is a matter of local self-government. The Village Council approved Village Ordinance 2005-003 effective January 2, 2005 indicating the salary for the position of Fiscal Officer shall be \$10,000 per year to be paid from accounts specified by Council. Further, on October 23, 2007, the Village Council approved a pay increase of \$4,000 for the Fiscal Officer effective November 1, 2007 and did not indicate the accounts from which to be paid. It was also noted that in the January 2, 2013 minutes the fiscal officer's pay was set at \$16,500 however, it did not indicate the accounts from which to be paid.

Expenditures for compensation may be considered unallowable or not for a proper public purpose if an employee's job duties are completely unrelated to the fund that issued payment for the compensation.

Village of Oak Hill
Jackson County
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Finding 2013-010 – Noncompliance/Material Weakness – Expenditure from Improper Funds (Continued)

During 2012 and 2013, the Fiscal Officer’s salary was allocated among the following funds:

	General	Street Maintenance, Construction and Repair	Cemetery	Water Operating	Sewer Operating	Pool Operating	Trash Operating	Total
2012	\$1,750	\$0	\$0	\$2,275	\$4,550	\$1,458	\$467	\$10,500
2013	825	2,475	2,475	3,300	3,300	825	3,300	16,500
Total	\$2,575	\$2,475	\$2,475	\$5,575	\$7,850	\$2,283	\$3,767	\$27,000

The Street Construction, Maintenance and Repair Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village Streets. The Cemetery Fund receives property tax money and fees to maintain the Village’s cemetery. The Village’s Enterprise Funds receive charges for services from residents to cover costs. Further, charges for service relating to the water operating and sewer operating receipts collateralize the Village’s Ohio Water Development Authority and Ohio Public Works Commission loans. Since the ordinance passed to increase the Fiscal Officer’s salary does not indicate the funds from which that additional salary should be paid, this could result in an inability to determine the funds authorized by the Village Council for the payment of the Fiscal Officer’s salary.

Adjustment have been posted to the 2012 and 2013 financial statements as well as the Village’s accounting records to charge expenditures back to the funds specified by Village ordinance and to the General Fund for the additional salary not specified by Village ordinance or otherwise documented in the minutes.

The Village Council should review salary ordinances and allowable uses of funds to develop a salary ordinance which indicates the amount to be paid to the Fiscal Officer, the funds from which the salary amount will be paid and the amount to be allocated to each fund. The Village Council should also review all funds and expenditures and determine allowable expenditures for each fund to ensure expenditures are being properly allocated among funds and are made for allowable purposes based on the restriction of fund monies.

Client Response:

Officials chose not to respond.

Finding 2013-011 – Material Weakness – Bank Reconciliations

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 Fiscal Officer reconciled the book balance to the bank balance each month; however, the 2012 reconciliations were not accurate or timely. The reconciliations contained numerous “other adjusting factors” without cause for the adjustment. The Village hired an outside consultant who identified and corrected various errors in the reconciliations. However, the Village was not in balance with the bank during the majority of the audit period. In addition, the volume and severity of the errors identified by the consultant was a deciding factor for the Village to present its financial statements for 2012 in an unclassified format.

In addition to the errors identified by the consultant, the auditors also identified a significant number of errors within the financial statements. Adjustments have been posted to the financial statements and to the Village’s accounting records to correct the posting errors.

Village of Oak Hill
Jackson County
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For the Years Ended December 31, 2013 and 2012

Finding 2013-011 – Material Weakness – Bank Reconciliations (Continued)

The Fiscal Officer should perform monthly reconciliations and should timely and sufficiently resolve any errors identified within that process to ensure that cash balances are recorded and reported accurately and completely.

Client Response:

Officials chose not to respond.

Finding 2013-012 – Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Village Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Village revenues, expenditures, and fund cash balances should be posted to the proper funds and account codes.

During our testing, we noted several misstatements during 2012 and 2013. Adjustments were required to properly account for revenues and expenditures. Improper posting of Village revenues and expenditures could result in material misstatements in the financial statements. Adjustments have been posted to the 2012 and 2013 financial statements as well as the Village's accounting records.

The Village should adopt policies and procedures, including a final review of the statements and notes by the Village Fiscal Officer and Village Council, to identify and correct errors and omissions in order to ensure the Village's financial statements as notes to the financial statements are complete and accurate. The Village Fiscal Officer should use due care while posting revenues and expenditures so that amounts are posted to the proper fund and revenue and/or expenditure classification codes.

Client Response:

Officials chose not to respond.

Finding 2013-013 – Material Weakness – Financial Monitoring

It is important that the Village Council monitor financial activity of the Village closely. Sound internal control policies require management and the Village Council to monitor the financial activity and condition of the Village. Actual revenues and expenditures should be compared to budgeted amounts each month and reported to and reviewed by the Village Council. The Village Council should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries of management about the reasons. Additionally, the Village Council should compare their actual cash balances to budgeted cash balances at the end of each month. When actual cash balances are below budgeted cash balances, the Village Council should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance and to avoid negative financial trends.

While the Village Council did approve all payments of bills, the Village Council only used an Appropriation Report to monitor financial activity. The Village Fiscal Officer provides the Village Council with a list of disbursements and a report of fund balances; however, except for the Appropriation Report, no other monthly financial reports are reviewed. For each regular Village Council meeting, the Village Fiscal Officer should provide detailed budget versus actual activity statements, financial statements, bank reconciliations, lists of investments, cash balances, and checks paid. The Village Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage and monitor the Village's financial position. This information can help answer questions such as the following:

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Finding 2013-013 – Material Weakness – Financial Monitoring (Continued)

Inquiries Relevant to Overall Village Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Is the Village able to achieve the financial goals as set by the original or amended budgets?
- Are expenditures being spent in accordance with the approved appropriations?
- Is there evidence the Village should amend their appropriations and/or estimated resources?

In order to effectively monitor the financial activity and condition of the Village, we recommend the Village Council perform the following actions:

- The Village Council should review and accept/approve the monthly financial information provided by the Village Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Village Council.
- The Village Council should take a more active role in monitoring the financial activity of the Village.
- The Village Council should evaluate the need for each expenditure of funds to restrict spending.
- Approval of monthly financial information should include signatures to evidence review.
- Copies of information reviewed and approved should be maintained on file by the Village Fiscal Officer.

Client Response:

Officials chose not to respond.

Finding 2013-014 – Noncompliance/Material Weakness – Classified Financial Statements

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Village's financial records for 2012 were not maintained in a fashion that allowed for the presentation of financial statements in a classified format as required by the Ohio Administrative Code. The Village should implement the appropriate procedures to ensure that financial records are sufficiently maintained in order to properly present financial statements in the required format.

Client Response:

Officials chose not to respond.

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Finding 2013-015 – Noncompliance/Material Weakness – Mayor’s Court Docket and Disposition of Fines and Other Monies

Ohio Revised Code Section 1905.21 states that the mayor of a municipal corporation and a mayor’s court magistrate shall keep a docket. The mayor or mayor’s court magistrate shall account for and dispose of all such fines, forfeitures, fees, and costs collected. Ohio Revised Code Section 733.40 states that all money collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the Village. The magistrate did not keep a complete docket and cash book. Furthermore the magistrate did not submit monthly reports to the legislative authority nor did she submit money to the treasurer timely. The Village should implement the appropriate procedures to ensure the maintenance of an accurate and complete docket, cashbook and case files. Furthermore the magistrate should account for all moneys collected and remit them timely to the Village and other agencies as required.

Client Response:

Client chose not to respond.

Finding 2013-016 - Noncompliance – Mayor’s Court

Ohio Revised Code Section 2949.091 states in part that all money collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of courts to the treasurer of the state. The Mayor’s Court Clerk transmitted money to the treasurer of the state for most of 2013, however since a cashbook was not maintained it could not be determined if all money collected during a month and owed to the state were transmitted. The Village should implement the appropriate procedures to ensure that the Mayor’s Court Clerk accurately, completely, and timely transmits to the state on or before the twentieth day of the month all money collected during the previous month.

Client Response:

Client chose not to respond.

Finding 2013-017 – Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Village’s accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes.

For 2013 and 2012, estimated revenue and appropriations recorded in the accounting system did not agree to estimated revenue on the original certificate of estimated resources plus amended certificates or appropriations of the original appropriation resolution plus amended appropriations throughout the year, respectively.

For 2012, the following budgetary documents could not be provided:

- Permanent Appropriations approved by the Village Council
- Supplemental Appropriations approved by the Village Council
- Official Certificate of Estimated Resources
- Amended Official Certificates of Estimated Resources

Since official documents could not be provided, the estimated revenue (in any) on the Receipt Ledger and appropriations (if any) on the Appropriation Ledger may not be reliable resources for management to monitor and compare to actual revenue and actual disbursements. As such, it would be difficult to determine if an amended certificate of estimated resources or amendments to appropriations would be necessary to help ensure the Village is compliant with various Ohio Revised Code sections.

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Finding 2013-017 – Material Weakness – Budgetary Information Within UAN (Continued)

The Village Fiscal Officer should maintain official documents to support appropriations, supplemental appropriations, official certificate of estimated resources, and amended official certificate of estimated resources. We further recommend these amounts to be recorded in the UAN system accurately. The Village Fiscal Officer should reconcile each amended certificate of estimated resource to the accounting system (Estimated Revenue in the Receipt Ledger) and each amended appropriation to the accounting system (Appropriations in the Appropriation Ledger) to ensure that they are in agreement.

Client Response:

Client chose not to respond.

Village of Oak Hill
Jackson County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-1	ORC Section 5705.36 – Certifying amounts available for expenditures and unencumbered balances from preceding year and certificates of estimated resources	No	Reissued as 2013-001
2011-2	ORC Section 5705.38(A) – Adoption of appropriations	No	Reissued as 2013-002
2011-3	ORC Section 5705.41(B) – Expenditures in excess of appropriations	No	Reissued as 2013-003
2011-4	ORC Section 5705.10 – Advances	No	Reissued as 2013-004
2011-5	ORC Section 5705.41(D) – Expenditures made without prior encumbrance of funds	No	Reissued as 2013-005
2011-6	Ohio Revised Code Section 5705.10 – Expenditures from improper sources and funds	No	Reissued as 2013-006
2011-7	Ohio Revised Code Section 5705.10(H) – Negative fund balances – general fund	No	Reissued as 2013-007
2011-8	Ohio Revised Code Section 5705.39 – Appropriations in Excess of Estimated Resources	No	Reissued as 2013-008
2011-9	ORC Section 5705.09 – Establishing funds	No	Reissued as 2013-009
2011-10	ORC Sections 5705.10(H) and 5705.41(C)/Material Weakness – Expenditures made from improper sources and funds	No	Reissued as 2013-010
2011-11	Material Weakness – Bank reconciliations	No	Reissued as 2013-011
2011-12	Material Weakness – Financial Reporting	No	Reissued as 2013-012
2011-13	Material Weakness – Financial Monitoring	No	Reissued as 2013-013
2011-14	OAC Section 117-2-02(A)/Material Weakness – Classified Financial Statements	No	Reissued as 2013-014

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Dave Yost • Auditor of State

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
MAY 7, 2015