

Village of Oak Hill  
Jackson County  
Regular Audit  
For the Years Ended December 31, 2009 and 2008



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# Dave Yost • Auditor of State

Members of 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, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 23, 2011

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**Jackson County**  
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**Independent Auditor's Report**

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

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, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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.

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

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

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

The Village has not presented management's discussion and analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2011 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

January 20, 2011

**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, 2009*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$107,155	\$138,377	\$245,532
Intergovernmental	100,550	133,872	234,422
Charges for Services	192	28,769	28,961
Fines, Licenses and Permits	13,049	0	13,049
Earnings on Investments	10,020	970	10,990
Miscellaneous	10,071	1,866	11,937
<b>Total Cash Receipts</b>	<b>241,037</b>	<b>303,854</b>	<b>544,891</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	174,323	69,303	243,626
Public Health Services	0	70,657	70,657
Community Environment	0	39,897	39,897
Transportation	0	85,838	85,838
General Government	50,108	0	50,108
Capital Outlay	2,664	20,130	22,794
<b>Debt Service:</b>			
Redemption of Principal	0	5,529	5,529
Interest and Other Fiscal Charges	0	435	435
<b>Total Cash Disbursements</b>	<b>227,095</b>	<b>291,789</b>	<b>518,884</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>13,942</b>	<b>12,065</b>	<b>26,007</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Insurance	0	3,181	3,181
Advances In	20,600	20,000	40,600
Advances Out	(20,600)	(20,000)	(40,600)
Other Financing Sources	228	0	228
Sale of Fixed Assets	1,500	0	1,500
<b>Total Other Financing Sources (Uses)</b>	<b>1,728</b>	<b>3,181</b>	<b>4,909</b>
<b>Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses</b>	<b>15,670</b>	<b>15,246</b>	<b>30,916</b>
<b>Fund Cash Balances, January 1</b>	<b>(225)</b>	<b>414,539</b>	<b>414,314</b>
<b>Fund Cash Balances, December 31</b>	<b>\$15,445</b>	<b>\$429,785</b>	<b>\$445,230</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$1,176</b>	<b>\$295</b>	<b>\$1,471</b>

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, 2009*

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$774,613
Total Operating Cash Receipts	774,613
Operating Cash Disbursements:	
Personal Services	148,106
Employee Fringe Benefits	71,980
Contractual Services	138,647
Supplies and Materials	260,198
Other	7,451
Total Operating Cash Disbursements	626,382
Operating Income/(Loss)	148,231
Non-Operating Cash Receipts:	
Property and Other Local Taxes	22,154
Intergovernmental	6,604
Sale of Notes	165,454
Other Non-Operating Receipts	2,948
Total Non-Operating Cash Receipts	197,160
Non-Operating Cash Disbursements:	
Redemption of Principal	179,346
Interest and Other Fiscal Charges	29,178
Capital Outlay	131,156
Total Non-Operating Cash Disbursements	339,680
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	5,711
Advances In	600
Advances Out	(600)
Net Receipts Over/(Under) Disbursements	5,711
Fund Cash Balances, January 1	361,970
Fund Cash Balances, December 31	\$367,681
Reserve for Encumbrances	\$591

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, 2008*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$106,229	\$142,213	\$248,442
Intergovernmental	136,761	124,959	261,720
Charges for Services	1,554	16,780	18,334
Fines, Licenses and Permits	11,135	0	11,135
Earnings on Investments	14,989	852	15,841
Contributions and Donations	32,462	0	32,462
Miscellaneous	150	2,658	2,808
<b>Total Cash Receipts</b>	<b>303,280</b>	<b>287,462</b>	<b>590,742</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	213,912	67,038	280,950
Public Health Services	0	65,604	65,604
Community Environment	0	26,499	26,499
Transportation	0	110,239	110,239
General Government	55,565	0	55,565
Capital Outlay	23,500	27,358	50,858
<b>Debt Service:</b>			
Redemption of Principal	0	5,774	5,774
Interest and Other Fiscal Charges	0	731	731
<b>Total Cash Disbursements</b>	<b>292,977</b>	<b>303,243</b>	<b>596,220</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>10,303</b>	<b>(15,781)</b>	<b>(5,478)</b>
<b>Other Financing Sources (Uses):</b>			
Other Financing Sources	73	0	73
Other Financing Uses	(251)	0	(251)
Sale of Fixed Assets	0	24,000	24,000
<b>Total Other Financing Sources (Uses)</b>	<b>(178)</b>	<b>24,000</b>	<b>23,822</b>
<b>Excess of Cash Receipts and Other Financing Sources</b> <b>Over (Under) Cash Disbursements and Other Financing Uses</b>	<b>10,125</b>	<b>8,219</b>	<b>18,344</b>
<b>Fund Cash Balances, January 1</b>	<b>(10,350)</b>	<b>406,320</b>	<b>395,970</b>
<b>Fund Cash Balances, December 31</b>	<b>(\$225)</b>	<b>\$414,539</b>	<b>\$414,314</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$2,302</b>	<b>\$677</b>	<b>\$2,979</b>

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, 2008*

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$779,208
Miscellaneous	443
Total Operating Cash Receipts	779,651
Operating Cash Disbursements:	
Personal Services	148,114
Employee Fringe Benefits	86,856
Contractual Services	195,240
Supplies and Materials	286,390
Other	7,496
Total OperatingCash Disbursements	724,096
Operating Income/(Loss)	55,555
Non-Operating Cash Receipts:	
Property and Other Local Taxes	22,259
Intergovernmental	5,249
Sale of Notes	86,382
Other Non-Operating Receipts	3,765
Total Non-Operating Cash Receipts	117,655
Non-Operating Cash Disbursements:	
Redemption of Principal	82,555
Interest and Other Fiscal Charges	23,761
Capital Outlay	52,530
Total Non-Operating Cash Disbursements	158,846
Net Receipts Over/(Under) Disbursements	14,364
Fund Cash Balances, January 1	347,606
Fund Cash Balances, December 31	\$361,970
Reserve for Encumbrances	\$2,453

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, 2009 and 2008*

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**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).

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:

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

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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 2008 or 2009.

*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 2008 or 2009.

*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 2009 and 2008 budgetary activity appears in Note 3.

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2009 and 2008

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.

**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:

	2009	2008
Demand deposits	\$689,655	\$655,411
Certificates of deposit	121,656	119,273
Total deposits	811,311	774,684
U.S. Savings Bonds	1,600	1,600
Total deposits and investments	\$812,911	\$776,284

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation in the amounts of \$371,656 and \$369,278 for the years ended December 31, 2009 and 2008. Excess deposits were not collateralized for either year as the Village failed to obtain the proper depository agreements with its banking institution.

*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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$242,765	\$242,765
Special Revenue	0	307,035	307,035
Enterprise	0	971,773	971,773
Total	\$0	\$1,521,573	\$1,521,573

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$228,271	(\$228,271)
Special Revenue	0	292,084	(292,084)
Enterprise	0	966,653	(966,653)
Total	\$0	\$1,487,008	(\$1,487,008)

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2009 and 2008

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**Note 3 – Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$303,353	\$303,353
Special Revenue	0	311,462	311,462
Enterprise	0	897,306	897,306
Total	\$0	\$1,512,121	\$1,512,121

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$295,530	(\$295,530)
Special Revenue	0	303,920	(303,920)
Enterprise	0	885,395	(885,395)
Total	\$0	\$1,484,845	(\$1,484,845)

Contrary to Ohio law, the Village Council did not approve appropriations or supplemental appropriations for 2008 or 2009 and file the documents with the County Auditor. In addition, the Village did not have estimated resources for 2008 or 2009. 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. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to 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, 2009 and 2008*

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**Note 5 – Debt**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (2441)	\$281,411	2.20%
Ohio Water Development Authority Loan (5340)	38,368	5.28%
Ohio Public Works Commission (CO12E)	9,914	0.00%
Ohio Public Works Commission (CO36F)	37,711	0.00%
Ohio Public Works Commission (CO05H)	47,525	0.00%
Ohio Public Works Commission (CT78M)	125,000	0.00%
Oak Hill Banks Loan (1725201)	259,587	5.25%
Oak Hill Banks Loan (1139601)	48,183	3.90%
Oak Hill Banks Loan (1126601)	5,808	3.90%
Oak Hill Banks Loan (1125601)	5,842	3.90%
Milton Banking Company Loan (7704686)	7,379	4.55%
Milton Banking Company Loan (7734093)	34,515	3.50%
Total	<u>\$901,243</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, 2009, 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 services requirements.

The Ohio Water Development Authority (OWDA) loan #4905 originated in May 2008 to fund planning costs on a sewer collections improvement project. The loan was issued in the amount of \$39,298. This loan was paid off with the issuance of OWDA loan #5340 described below.

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, 2009, only \$38,368 has been drawn. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt services requirements. The payment schedule below excludes this balance because the loan has not yet been fully drawn and an amortization schedule has not yet been issued.

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. Water and sewer receipts collateralized this loan. The final payment on this loan was made in 2009.

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 2003 in the amount of \$28,325. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$1,416 over 10 years.

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.



**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 5 – Debt (Continued)**

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. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$2,083 over 30 years.

The 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.

The 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 the equipment. The Village will repay the loan in semiannual installments of \$1,783 over 6 years.

The 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 Chevrolet Silverado. The loan is collateralized by the vehicle. The Village will repay the loan in semiannual installments of \$217 over 6 years.

The 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 Chevrolet Silverado. The loan is collateralized by the vehicle. The Village will repay the loan in semiannual installments of \$217 over 6 years.

The Milton Banking Company loan #7704686 was obtained in January 2007 in the amount of \$23,750 at 4.55% interest. The loan was for the purpose of purchasing a 2007 Chevrolet Silverado. The loan is collateralized by the vehicle. The Village will repay the loan in monthly installments of \$542 over 4 years.

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.

**Village of Oak Hill**  
**Jackson County**  
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**Note 5 – Debt (Continued)**

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

Year ending December 31:	OWDA	OPWC	Oak Hill Banks	Milton Banking Company
2010	\$29,872	\$6,284	\$57,720	\$19,711
2011	59,742	12,569	57,720	14,291
2012	59,742	12,569	40,005	9,905
2013	59,742	12,571	31,148	0
2014	59,742	9,737	31,148	0
2015-2019	29,871	48,690	155,738	0
2020-2024	0	48,695	31,148	0
2025-2029	0	25,291	0	0
2030-2034	0	20,831	0	0
2035-2039	0	20,830	0	0
2040	0	2,083	0	0
Total	<u>\$298,711</u>	<u>\$220,150</u>	<u>\$404,627</u>	<u>\$43,907</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 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2009 and 2008, 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, 2009.

**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**  
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**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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 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 retained earnings at December 31, 2009 and 2008.

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Retained Earnings	\$21,118,036	\$20,459,329

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$15,471.

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	
2009	2008
\$16,459	\$26,745

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**  
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**Note 9 – Compliance**

- The Village did not 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 2008 or 2009, which is contrary to Ohio Revised Code Section 5705.36.
- The Village did not pass permanent appropriations for 2008 or 2009 or file appropriations with the County Auditor or pass temporary appropriations for 2009, which is contrary to Ohio Revised Code Section 5705.38(A).
- The Village had expenditures in excess of appropriations in 2008 and 2009, which is contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not properly approve advances between funds in 2009, which is contrary to the Ohio Revised Code Section 5705.10.
- The Village did not always properly encumber funds in 2008 and 2009, which is contrary to Ohio Revised Code Section 5705.41(D).
- The Village did not have collateral in place for deposits in excess of federally-insured balances, which is contrary to Ohio Revised Code Section 135.18.
- 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 have proper funds in place for certain grants in 2008 or 2009, which is contrary to Ohio Revised Code Section 5705.09.
- The Village did not always record expenditures from proper funds in 2008 and 2009, which is contrary to Ohio Revised Code Section 5705.41(C).

**Note 10 – Subsequent Events**

During 2010, the Village was approved for a loan from Ohio Public Works Commission for \$175,000 for a water line replacement project. They were also approved for a loan from Ohio Water Development Authority for \$106,207 for a water system design project.

**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, 2009 and 2008, and have issued our report thereon dated January 20, 2011, wherein we noted the Village followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These items are identified as items 2009-9 through 2009-12.

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 2009-1 through 2009-9.

We noted certain matters that we reported to the management of the Village in a separate letter dated January 20, 2011.

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.

January 20, 2011

**Village of Oak Hill**  
**Jackson County**  
*Schedule of Findings and Responses*  
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**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding 2009-1 – 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 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 2008 and 2009. We further note that the Village Fiscal Officer could not produce information regarding the Official and Amended Official Certificates of Estimated Resources. The Village Fiscal Officer should 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:***

The Village Fiscal Officer will see to it that this information will get to the County Auditor by the first day of each fiscal year.

**Finding 2009-2 – 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 1.

The Village Council passed temporary appropriations January 22, 2008. A temporary appropriations measure could not be located for 2009. A permanent appropriation was not passed for either year of the audit period. Although a temporary budget was approved in the minutes for 2008, it could not be produced by the Village Fiscal Officer and was not on file with the County Auditor to support the existence of an appropriation measure and the amounts that were posted to the system. Failure to approve a permanent appropriations measure could result in overspending due to a lack of monitoring. 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.

**Village of Oak Hill**  
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**Finding 2009-2 – Noncompliance – Adoption of Appropriations (Continued)**

***Client Response:***

This will be done from 2011 forward.

**Finding 2009-3 – 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. In 2008 and 2009, there were no approved appropriations on file, thus all expenditures from all funds exceeded appropriations. This could result in overspending and negative fund balances if not 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:***

The Fiscal Officer plans to do this and keep a file accordingly.

**Finding 2009-4 – 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 2009, advances of cash were made which were not approved by a formal resolution of the Village Council.

During 2009, \$20,000 was advanced from the Permissive Sales Tax Fund to the General Fund and advances totaling \$600 were advanced from the Swimming Pool Fund to the General Fund. There is no evidence that the creditor funds purpose for these advances were consistent with the debtor funds purposes.

It was noted that advances were repaid and therefore audit adjustments were not necessary to repay debtor funds.

The Village Fiscal Officer should review the Ohio Compliance Supplement Sections 1-24 Transfer of Funds, 1-25 Advances, 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:***

This procedure will be followed.



**Village of Oak Hill**  
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**Finding 2009-5 – 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.

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.

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**Finding 2009-5 – Noncompliance – Prior Encumbrance of Funds (Continued)**

***Client Response:***

This recommendation will be followed.

**Finding 2009-6 – Noncompliance – Collateral on Deposits**

Ohio Revised Code Section 135.18 states that the treasurer of a political subdivision must require the depository to provide security equal to the funds on deposit at all times. Security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Ohio Revised Code Section 135.181 states that in lieu of the specific pledging requirements of Section 135.18, a public depository at its option may pledge a single pool of eligible securities to secure the repayment of all its public deposits not otherwise secured, provided that at all times the total market value of the securities so pledged is at least equal to one hundred five per cent of its uninsured public deposits to be secured by the pooled securities.

The securities described in division (B) of Ohio Revised Code Section 135.18, shall be eligible as collateral, provided no such securities pledged as collateral are at any time in default as to either principal or interest.

A public depository must designate a qualified trustee (i.e., the Federal Reserve) and deposit the eligible pledged securities with that trustee for safekeeping. The depository must give written notice of the qualified trustee to any treasurer depositing public monies for which such securities are pledged. The treasurer shall accept the written receipt of the trustee describing the pool of securities so deposited by the depository.

Upon request of a treasurer up to 4 times per year, a *public depository* must report: the amount of public monies deposited by the treasurer and secured and the total value based on the valuations described above, of the pool of securities pledged to secure public monies held by the depository, including those deposited by the treasurer.

Upon request of a treasurer up to 4 times per year, a *qualified trustee* must report the total value of the securities pool deposited with it by the depository and provide an itemized list of pooled securities. The trustee must make these reports as of the date the treasurer specifies.

The Village had a depository contract signed with its banking institution for the audit period. However, this contract was signed during the month of the merger of its banking institution with another. As such, it appears that the Village's depository agreement was misplaced and therefore the bank did not provide collateral for either year of the audit period. The Village was subject to the risk of loss on deposits in the event of bank failure. The Village should review pledged collateral statements periodically and ensure that collateral is sufficient to cover deposits in excess of federally-insured limits.

***Client Response:***

The Village will do this.

**Finding 2009-7 – 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.

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**Finding 2009-7 – Noncompliance – Improper Expenditures from Funding Sources (Continued)**

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 2008 and 2009. 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. We also noted a vehicle was improperly paid from this fund.

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.

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) and State Highway Fund (2021) 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 2008 and 2009 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:***

There are two Village officials that now check charges as to which fund should be used.

**Finding 2009-8 – 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.

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**Finding 2009-8 – Noncompliance – Establishing Funds (Continued)**

During our audit, we noted the following:

Oak Hill Youth Crime Prevention Federal Subgrant from Ohio Office of Criminal Justice Services

During 2008 and 2009, the Village received a subgrant from the Ohio Office of Criminal Justice Services (OCJS) for which a separate fund was not established. Grant receipts which are received on a reimbursement basis were posted to incorrect funds including the General Fund, Street Construction, Maintenance and Repair Fund and State Highway Fund. This resulted in adjustments to the financial statements to properly reflect the subgrant activity as a special revenue fund.

Failure to establish a separate fund for the OCJS subgrant could result in noncompliance with Federal subgrant conditions and an inability to track and monitor the activity of the grant. Adjustments have been posted to the 2008 and 2009 financial statements as well as the Village’s accounting records. The Village should review Ohio Revised Code requirements for establishing funds and establish the required funds, including special revenue funds related to special grants.

***Client Response:***

The Fiscal Officer will check with the Ohio Revised Code requirements in establishing funds and establish the required funds, including special revenue funds related to special grants.

**Finding 2009-9 – 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.

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.

During 2008 and 2009, 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
2008	\$0	\$2,800	\$2,800	\$2,800	\$2,800	\$0	\$2,800	\$14,000
2009	2,041	1,633	934	2,975	3,967	817	1,633	14,000
<b>Total</b>	<b>\$2,041</b>	<b>\$4,433</b>	<b>\$3,734</b>	<b>\$5,775</b>	<b>\$6,767</b>	<b>\$817</b>	<b>\$4,433</b>	<b>\$28,000</b>

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**Finding 2009-9 – Noncompliance/Material Weakness – Expenditure from Improper Funds (Continued)**

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 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 2008 and 2009 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.

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:***

There is an ordinance in place which shows the break down for the Fiscal Officer's salary. The Village will ensure this ordinance is reviewed prior to payment.

**Finding 2009-10 – 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, these reconciliations were not accurate or timely. The reconciliations contained numerous "other adjusting factors" without cause for the adjustment. We noted various errors in the reconciliations, including unrecorded receipts, significant delays in recording of receipts, checks on the outstanding check listing that had already cleared, typographical errors, unrecorded interest on checking accounts and certificates of deposit, and interest recorded to the general checking account instead of the "secondary account." 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 not in balance with the bank during the majority of the audit period.

This resulted in several errors going undetected and inaccurate fund balances. Adjustments have been posted to the 2008 and 2009 financial statements and to the Village's accounting records to correct the posting errors.

The Fiscal Officer should timely perform monthly reconciliations using only actual outstanding checks and deposits in transit and investigate differences and discrepancies. If there are "other adjusting factors," the Fiscal Officer should maintain supporting documentation for those amounts and correct for the amounts instead of allowing amounts to carry forward. Council should review these reconciliations and inquire about "other adjusting factors" when appropriate.

**Village of Oak Hill**  
**Jackson County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2009 and 2008*

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**Finding 2009-10 – Material Weakness – Bank Reconciliations (Continued)**

***Client Response:***

The bank reconciliations are performed on a monthly basis. The Fiscal Officer will attempt to avoid carrying forward any adjusting factors,

**Finding 2009-11 – 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 the following misstatements and misclassifications during 2008 and/or 2009:

- The Oak Hill Youth Crime Prevention Federal Subgrant from Ohio Office of Criminal Justice Services was not properly accounted for in a separate fund.
- Certain proceeds from loans were misclassified as charges for services and others were unrecorded. Certain capital outlay related to certain proceeds was misclassified while other capital outlay was unrecorded.
- Proceeds from insurance were misclassified as miscellaneous revenues.
- The purchase of a vehicle was recorded as an expenditure and a cashier's check was issued. The purchase fell through and the Village recorded the re-deposit as a revenue instead of a reduction of expenditure.
- The Village recorded lease payments received as miscellaneous revenue instead of charges for services.
- The Village recorded proceeds from the sale of fixed assets as miscellaneous revenue.
- The Village recorded the Fiscal Officer's pay in various funds not authorized by Village ordinance.
- Various non-payroll related expenditures were paid out of incorrect funds and line items.
- The Village recorded various debt payments out of incorrect funds and line items.
- The Village paid a retirement remittance out of a debt service line item.
- Various gifts and donations, charges for services, fines, licenses and permits, proceeds from sales of fixed assets, and intergovernmental revenues were recorded in incorrect funds and line items.
- Certain fees withheld from property tax collections by the County Auditor were not recorded.
- Activity and balances of the outside bank account were not recorded.
- Interest was not recorded for certificates of deposits or for certain months for checking accounts.
- Various expenditures were not recorded in correct line items consistent with the purposes of the funds.

Adjustments and reclassification entries were required for 2008 and 2009 to properly classify 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 2008 and 2009 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:***

There is a triple-check on some procedures, but at least two.

**Village of Oak Hill**  
**Jackson County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2009 and 2008*

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**Finding 2009-12 – 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:

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:***

There will be reports of finances provided to Council members, and appropriations reports for comparison. Also, the Fiscal Officer will strive to keep the Council updated on standing of finances.

**Village of Oak Hill**  
**Jackson County**  
*Schedule of Prior Audit Findings*  
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code (ORC) Sections 5705.10 and 117.13(C) – Expenditures from improper sources and funds (Cemetery Fund)	No	Reissued, in part, as Finding 2009-7
2007-002	ORC Section 5705.10 – Expenditures from improper sources and funds (Permissive Sales Tax Fund)	No	Reissued, in part, as Finding 2009-7
2007-003	ORC Sections 5705.10 and 117.13(C) – Expenditures from improper sources and funds (Street Construction, Maintenance and Repair Fund and State Highway Fund)	No	Reissued, in part, as Finding 2009-7
2007-004	Debt Covenant – Debt payments from allowable sources	Yes	
2007-005	ORC Section 5705.09 – Establishing funds	No	Reissued, in part, as Finding 2009-8
2007-006	ORC Section 5705.10 – Advances	No	Reissued as Finding 2009-4
2007-007	ORC Section 5705.36 – Certifying amounts available for expenditures and unencumbered balances from preceding year and certificates of estimated resources	No	Reissued as Finding 2009-1
2007-008	ORC Section 5705.38(A) – Adoption of appropriations	No	Reissued as Finding 2009-2
2007-009	ORC Section 5705.41(B) – Expenditures in excess of appropriations	No	Reissued as Finding 2009-3
2007-010	ORC Sections 5705.10(H) and 5705.41(C)/Material Weakness – Expenditures made from improper sources and funds	No	Reissued as Finding 2009-9
2007-011	ORC Section 5705.41(D) – Expenditures made without prior encumbrance of funds	No	Reissued as Finding 2009-5
2007-012	Material Weakness – Monthly reconciliations	No	Reissued as Finding 2009-10
2007-013	Material Weakness – Financial Reporting	No	Reissued as Finding 2009-11





# 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  
MARCH 8, 2011