



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF OAK HILL
JACKSON COUNTY

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Oak Hill, Jackson County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Oak Hill, Jackson County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 10, 2002

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Cash Receipts:				
Property Tax and Other Local Taxes	\$93,464	\$105,561	\$	\$199,025
Intergovernmental Receipts	100,721	89,584		190,305
Charges for Services	115	28,639		28,754
Fines, Licenses, and Permits	7,481			7,481
Earnings on Investments	14,611	5,697	4,231	24,539
Miscellaneous	29,114	6,644		35,758
Total Cash Receipts	245,506	236,125	4,231	485,862
Cash Disbursements:				
Current:				
Security of Persons and Property	162,867	40,834		203,701
Public Health Services		50,604		50,604
Basic Utility Services	28,956			28,956
Transportation		75,938		75,938
General Government	58,346	579		58,925
Debt Service:				
Principal Payments	38,848	11,262		50,110
Interest Payments	624	344		968
Capital Outlay		70,931		70,931
Total Cash Disbursements	289,641	250,492	0	540,133
Total Cash Receipts Over/(Under) Cash Disbursements	(44,135)	(14,367)	4,231	(54,271)
Other Financing Sources/(Uses):				
Sale of Notes	52,269			52,269
Sale of Fixed Assets	17,000			17,000
Transfers-In		1,600	3,624	5,224
Transfers-Out	(32,400)			(32,400)
Advances-Out	(100)			(100)
Other Financing Uses		(1,989)		(1,989)
Total Other Financing Sources/(Uses)	36,769	(389)	3,624	40,004
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(7,366)	(14,756)	7,855	(14,267)
Fund Cash Balances, January 1	170,020	199,478	75,574	445,072
Fund Cash Balances, December 31	\$162,654	\$184,722	\$83,429	\$430,805
Reserves for Encumbrances, December 31	\$18,377	\$0	\$0	\$18,377

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$774,424	\$	\$	\$774,424
Interest	3,669	620		4,289
Miscellaneous	18,576			18,576
Total Operating Cash Receipts	796,669	620	0	797,289
Operating Cash Disbursements:				
Personal Services	161,997			161,997
Fringe Benefits	75,514			75,514
Contractual Services	119,032			119,032
Supplies and Materials	60,429			60,429
Capital Outlay	36,000			36,000
Miscellaneous	52,094			52,094
Total Operating Cash Disbursements	505,066	0	0	505,066
Operating Income/(Loss)	291,603	620	0	292,223
Non-Operating Cash Receipts:				
Intergovernmental Receipts	20,000			20,000
Sale of Fixed Assets	26,000			26,000
Other Non-Operating Receipts	1,461		8,388	9,849
Total Non-Operating Cash Receipts	47,461	0	8,388	55,849
Non-Operating Cash Disbursements:				
Debt Service:				0
Principal	76,910			76,910
Interest	37,709			37,709
Other Non-Operating Cash Disbursements	186,207		8,603	194,810
Total Non-Operating Cash Disbursements	300,826	0	8,603	309,429
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	38,238	620	(215)	38,643
Transfers-In	30,800			30,800
Transfers-Out	(3,624)			(3,624)
Advances-In	100			100
Net Receipts Over/(Under) Disbursements	65,514	620	(215)	65,919
Fund Cash Balances, January 1	240,549	11,075	739	252,363
Fund Cash Balances, December 31	\$306,063	\$11,695	\$524	\$318,282
Reserve for Encumbrances, December 31	\$28,894	\$0	\$0	\$28,894

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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$95,167	\$159,619	\$	\$254,786
Intergovernmental Receipts	163,736	84,977		248,713
Charges for Services		23,736		23,736
Fines, Licenses, and Permits	9,386			9,386
Earnings on Investments	17,362	5,093		22,455
Miscellaneous	4,573	3,442		8,015
Total Cash Receipts	<u>290,224</u>	<u>276,867</u>	<u>0</u>	<u>567,091</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	168,084	48,659		216,743
Public Health Services		42,047		42,047
Basic Utility Services	35,263			35,263
Transportation		60,739		60,739
General Government	36,219	1,148		37,367
Debt Service:				
Principal Payments	10,050	4,139		14,189
Interest Payments	637	714		1,351
Capital Outlay		56,177		56,177
Total Cash Disbursements	<u>250,253</u>	<u>213,623</u>	<u>0</u>	<u>463,876</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>39,971</u>	<u>63,244</u>	<u>0</u>	<u>103,215</u>
Other Financing Sources/(Uses):				
Transfers-In		5,700	3,624	9,324
Transfers-Out	(27,120)			(27,120)
Advances-In		2,000		2,000
Advances-Out	(2,000)			(2,000)
Other Financing Sources	4,448	997		5,445
Other Financing Uses	(898)	(1,304)		(2,202)
Total Other Financing Sources/(Uses)	<u>(25,570)</u>	<u>7,393</u>	<u>3,624</u>	<u>(14,553)</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	14,401	70,637	3,624	88,662
Fund Cash Balances, January 1	<u>155,619</u>	<u>128,841</u>	<u>71,950</u>	<u>356,410</u>
Fund Cash Balances, December 31	<u>\$170,020</u>	<u>\$199,478</u>	<u>\$75,574</u>	<u>\$445,072</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$669,524	\$	\$	\$669,524
Interest	4,719			4,719
Miscellaneous	20,886			20,886
Total Operating Cash Receipts	695,129	0	0	695,129
Operating Cash Disbursements:				
Personal Services	147,621			147,621
Fringe Benefits	54,739			54,739
Contractual Services	143,942			143,942
Supplies and Materials	56,445			56,445
Capital Outlay	2,012			2,012
Miscellaneous	43,048			43,048
Total Operating Cash Disbursements	447,807	0	0	447,807
Operating Income/(Loss)	247,322	0	0	247,322
Non-Operating Cash Receipts:				
Other Non-Operating Receipts			11,161	11,161
Total Non-Operating Cash Receipts	0	0	11,161	11,161
Non-Operating Cash Disbursements:				
Debt Service:				
Principal	78,532			78,532
Interest	40,240			40,240
Other Non-Operating Cash Disbursements			11,759	11,759
Other Financing Uses	129,201			129,201
Total Non-Operating Cash Disbursements	247,973	0	11,759	259,732
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	(651)	0	(598)	(1,249)
Transfers-In	21,420			21,420
Transfers-Out	(3,624)			(3,624)
Net Receipts Over/(Under) Disbursements	17,145	0	(598)	16,547
Fund Cash Balances, January 1	223,404	11,075	1,337	235,816
Fund Cash Balances, December 31	\$240,549	\$11,075	\$739	\$252,363
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Oak Hill, Jackson County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, cemetery maintenance and police protection. The Village contracts with the Madison Jefferson Joint Fire District to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Savings bonds and certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

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

VILLAGE OF OAK HILL
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Community Improvement Fund – This fund receives permissive sales tax monies to be used for road and community improvements.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village had the following significant fiduciary funds:

Mayor's Court Fund – This fund is used to account for the activity of the Village's Mayor's Court. This fund is classified as an Agency Fund.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$240,377	\$215,903
Certificates of deposit	507,110	479,932
Total deposits	747,487	695,835
 U.S. Savings Bonds	 1,600	 1,600
Total deposits and investments	\$749,087	\$697,435

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$390,086	\$314,775	(\$75,311)
Special Revenue	267,558	237,725	(29,833)
Enterprise	783,142	875,030	91,888
Expendable Trust	4,174	7,855	3,681
Nonexpendable Trust		620	620
Total	\$1,444,960	\$1,436,005	(\$8,955)

2001 Budgeted vs. Actual Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$288,023	\$340,518	(\$52,495)
Special Revenue	242,070	252,481	(10,411)
Enterprise	650,024	838,410	(188,386)
Expendable Trust			0
Nonexpendable Trust			0
Total	\$1,180,117	\$1,431,409	(\$251,292)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$294,672	\$294,672
Special Revenue		285,564	285,564
Enterprise		716,549	716,549
Expendable Trust		3,624	3,624
Nonexpendable Trust			0
Total	\$0	\$1,300,409	\$1,300,409

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,922	\$280,271	(\$79,349)
Special Revenue	270,423	214,927	55,496
Enterprise	991,358	699,404	291,954
Expendable Trust			0
Nonexpendable Trust			0
Total	\$1,462,703	\$1,194,602	\$268,101

Contrary to Ohio law, appropriations exceeded estimated resources in all funds for the year ended December 31, 2000. Also contrary to Ohio law, budgetary expenditures exceeded appropriations for the year ended December 31, 2001 and 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$672,276	2.20%
Farmer's Home Administration Loan	114,000	4.75%
Farmer's Home Administration Loan	229,900	6.00%
Ohio Public Works Commission	42,328	0.00%
Fire Truck Loan	3,653	6.50%
Packer Truck Loan	17,926	6.50%
Cruiser Loan	9,954	6.00%
Backhoe Loan	9,256	6.00%
Total	<u>\$1,099,293</u>	

The Ohio Water Development Authority (OWDA) loan originated in July 1994 and relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved \$1,332,278 in loans to the Village for this project. The loans will be repaid in annual installments of \$59,742, including interest, over 20 years. The scheduled payment was adjusted to reflect revisions in amounts actually borrowed. The loan is collateralized by the water and sewer receipts.

The FmHA loans relate to water improvements. One originated in November 1974 in the amount of \$375,000 at 4.75%. A second loan originated in December 1986 in the amount of \$272,000 at 6%. The loan is collateralized by the water and sewer receipts.

The Ohio Public Works Commission loan is an interest free loan that was obtained for a water line replacement project. The loan originated in 1999 in the amount of \$56,438. The loan is collateralized by the water and sewer receipts.

The loan for the fire truck was obtained in October 1997 in the amount of \$19,075.89 at 6.5%. The loan is being repaid in monthly installments of \$373 through October 2002. The loan is collateralized by the fire truck.

The loan for the packer truck was obtained in May 1998 in the amount of \$60,010 at 6.5%. The loan is being repaid in monthly installments of \$1,177 through May 2003. The loan is collateralized by the packer truck.

The loan for the cruiser was obtained in May 2001 in the amount of \$13,810.82 at 6%. The loan is being repaid in monthly installments of \$613 through May 2003. The loan is collateralized by the cruiser.

The loan for the backhoe was obtained in August 2001 in the amount of \$11,000 at 6%. The loan is being repaid in monthly installments of \$488 through August 2003. The loan is collateralized by the backhoe.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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

Year ending December 31	OWDA Loan	FmHA Loans	OPWC Loan	General Obligation Notes
2002	\$59,742	\$39,480	\$2,821	\$31,062
2003	59,742	38,709	5,644	12,629
2004	59,742	37,927	5,644	
2005	59,742	38,332	5,644	
2006	59,742	37,566	5,644	
2007 - 2011	298,711	148,606	16,931	
2012 - 2016	209,098	91,640		
2017 - 2021		91,566		
2022 - 2026		94,754		
Total	<u>\$806,519</u>	<u>\$618,580</u>	<u>\$42,328</u>	<u>\$43,691</u>

The Village has entered into a loan agreement with Ohio Public Works Commission for \$50,000 at 0% for 20 years. The loan proceeds are due after June 10, 2002.

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Corporation.

7. RISK POOL MEMBERSHIP (Continued)

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with general accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (the latest information available):

Assets	\$19,358,458	\$17,112,129	
Liabilities	(8,827,588)	(7,715,035)	
Retained Earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>	
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>	
Assets	\$1,890,323	\$1,575,614	
Liabilities	(469,100)	(281,561)	
Retained Earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>	

8. CONTINGENT LIABILITIES

The Village is defendant in two lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Oak Hill, Jackson County, Ohio (the Village), as of and for the years ending December 31, 2001 and 2000, and have issued our report thereon dated June 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-30740-001 and 2001-30740-003. We noted certain other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-30740-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 10, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 10, 2002

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30740-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue for that fund. Appropriations exceeded estimated revenue in all funds for the year 2000 since the fact that the Clerk did not certify year end fund balances and did not receive an amended certificate.

We recommend the Treasurer monitor appropriations and estimated receipts periodically and amend them as necessary. We further recommend the Village Council not approve appropriations without supporting reports that show they do not exceed total estimated revenue.

FINDING NUMBER 2001-30740-002

Reportable Condition

During the course of the audit it was discovered that many receipts were improperly classified. We made 49 adjustments and/or reclassifications to the financial statements. Debt payments were classified as miscellaneous expenditures and security of persons and property. Grants were classified as miscellaneous receipts. Sale of fixed assets was classified as miscellaneous receipts. Proceeds of notes were classified as miscellaneous receipts. This resulted in some receipts being posted to the wrong fund.

It is recommended that the Clerk take extreme caution when posting the receipts to the cashbook. The Clerk should refer to Ohio Administrative Code Section 117-9-01 for a listing of proper reporting.

FINDING NUMBER 2001-30740-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. In the fiscal year 2000, the following funds were found to have expenditures which exceeded appropriations: General Fund by \$79,350 (40.1%), State Highway Improvement Fund by \$2,498 (55.5%), Fire Fund by \$9,305 (46.5%) and Trash Fund by \$19,545 (16.6%). In fiscal year 2001 the following funds were found to have expenditures which exceeded appropriations: General Fund by \$52,495 (18.2%), Street Construction, Maintenance and Repair Fund by \$10,329 (16%), Cemetery Fund by \$9,665 (18.8%), Water Operating Fund by \$211,946 (123.8%), Swimming Pool Fund by \$3,689 (7.8%) and Trash Fund by \$8,395 (5.8%).

We recommend the Clerk monitor disbursements versus appropriations throughout the year. Additional appropriations should be added by resolution where revenue is available. If receipts do not allow for additional appropriations, funds should not be disbursed from that fund. We further recommend that the Village Council not approve disbursements without supporting appropriations.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30740-001	Revised Code 5705.39, appropriations exceeded estimated revenues	No	Not Corrected, Repeated as Finding 2001-30740-001.
1999-30740-002	Revised Code 5705.41(B), expenditures exceeded appropriations.	No	Not Corrected, Repeated as Finding 2001-30740-003.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2001 AND 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-30740-001	Appropriations will be compared to the Amended Certificates of Estimated Resources when they are approved by Council.	January, 2003	Martha Detty, Clerk/Treasurer Robert Jones, Mayor
2001-30740-002	The Clerk will activate the proper line items to the computer system. This should prevent the large number of misclassifications.	January, 2003	Martha Detty, Clerk/Treasurer Robert Jones, Mayor
2001-30740-003	Monitoring the appropriation ledger should prevent expenditure exceeding appropriations	January, 2003	Martha Detty, Clerk/Treasurer Robert Jones, Mayor



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VILLAGE OF OAK HILL

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 30, 2002**