

Village of Oak Hill  
Jackson County  
Regular Audit  
For the Years Ended December 31, 2011 and 2010



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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Oak Hill, Jackson County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

November 4, 2013

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**Village of Oak Hill**  
**Jackson County**  
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*For the Years Ended December 31, 2011 and 2010*

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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, 2011 and 2010. 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 the 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.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(a) requires villages to classify receipt and disbursement transactions.

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 villages 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications referred to in the fourth preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Oak Hill, Jackson County, Ohio, and its combined unclassified cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 11, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 13 to the financial statements, the Village's general fund deficit fund cash balances of \$38,064 and \$13,223 as of December 31, 2011 and 2010, respectively, and its decrease in fund cash balances \$24,841 and \$28,668 for the years ended December 31, 2011 and 2010 respectively, raise substantial doubt about its ability to continue as a going concern. Note 13 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2013 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.

May 17, 2013



**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, 2011*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Cash Receipts	\$268,407	\$274,164	\$542,571
Total Cash Receipts	268,407	274,164	542,571
Cash Disbursements:			
Cash Disbursements	293,248	235,139	528,387
Total Cash Disbursements	293,248	235,139	528,387
Net Change in Fund Cash Balances	(24,841)	39,025	14,184
Fund Cash Balances, January 1	(13,223)	336,426	323,203
Assigned	3,610	0	3,610
Restricted	0	375,451	375,451
Unassigned	(41,674)	0	(41,674)
Fund Cash Balances, December 31	(\$38,064)	\$375,451	\$337,387

**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, 2011*

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	Proprietary Fund Type
	Enterprise
Cash Receipts:	
Cash Receipts	\$1,615,209
Total Cash Receipts	1,615,209
Cash Disbursements:	
Cash Disbursements	1,615,429
Total Operating Disbursements	1,615,429
Net Change in Fund Cash Balance	(220)
Fund Cash Balances, January 1	518,269
Fund Cash Balances, December 31	\$518,049

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, 2010*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Cash Receipts	\$219,198	\$304,837	\$524,035
Total Cash Receipts	219,198	304,837	524,035
Cash Disbursements:			
Cash Disbursements	247,866	350,078	597,944
Total Cash Disbursements	247,866	350,078	597,944
Net Change in Fund Cash Balance	(28,668)	(45,241)	(73,909)
Fund Cash Balances, January 1 - As Restated	15,445	381,667	397,112
Fund Cash Balances, December 31	(\$13,223)	\$336,426	\$323,203
Reserved for Encumbrances	\$1,998	\$534	\$2,532

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, 2010*

	Proprietary Fund Type
	Enterprise
Cash Receipts:	
Cash Receipts	\$1,001,438
Total Operating Cash Receipts	\$1,001,438
Cash Disbursements:	
Cash Disbursements	\$898,968
Total Cash Disbursements	\$898,968
Net Change in Fund Cash Balance	\$102,470
Fund Cash Balances, January 1 - As Restated	\$415,799
Fund Cash Balances, December 31	\$518,269
Reserved for Encumbrances	\$1,113

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, 2011 and 2010*

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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, 2011 and 2010*

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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 2010 or 2011.

*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 2010 or 2011.

*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 2011 and 2010 budgetary activity appears in Note 3.

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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

**Fund Balance**

At December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

*Nonspendable*

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

*Restricted*

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

*Committed*

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

*Assigned*

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

*Unassigned*

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

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

**Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2011 and 2010

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

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Note 2 – Equity in Pooled Deposits and Investments**

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

	2011	2010
Demand deposits	\$730,525	\$717,297
Certificates of deposit	123,311	122,575
Total deposits	853,836	839,872
U.S. Savings Bonds	1,600	1,600
Total deposits and investments	\$855,436	\$841,472

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$268,407	\$268,407
Special Revenue	0	274,164	274,164
Enterprise	0	1,615,209	1,615,209
Total	\$0	\$2,157,780	\$2,157,780

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$296,858	(\$296,858)
Special Revenue	0	236,385	(236,385)
Enterprise	0	1,617,863	(1,617,863)
Total	\$0	\$2,151,106	(\$2,151,106)



**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2011 and 2010

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

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$219,198	\$219,198
Special Revenue	0	304,837	304,837
Enterprise	0	1,001,438	1,001,438
Total	\$0	\$1,525,473	\$1,525,473

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$249,864	(\$249,864)
Special Revenue	0	350,612	(350,612)
Enterprise	0	900,081	(900,081)
Total	\$0	\$1,500,557	(\$1,500,557)

Contrary to Ohio law, the Village Council did not approve appropriations or supplemental appropriations for 2010 or 2011 and file the documents with the County Auditor. In addition, the Village did not have estimated resources for 2010 or 2011. Also, contrary to Ohio law, the Village did not encumber all commitments required by Ohio law.

**Note 4 – Property Taxes**

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

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

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

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

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

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 5 – Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (2441)	\$172,529	2.20%
Ohio Water Development Authority Loan (5340)	160,041	5.28%
Ohio Water Development Authority Loan (5884)	359,842	3.79%-3.35%
Ohio Public Works Commission (CO12E)	4,249	0.00%
Ohio Public Works Commission (CO36F)	32,510	0.00%
Ohio Public Works Commission (CO05H)	41,584	0.00%
*Ohio Public Works Commission (CT78M)	75,223	0.00%
Oak Hill Banks (Wesbanco) Loan (1725201)	221,140	5.25%
Oak Hill Banks (Wesbanco) Loan (1139601)	7,609	3.90%
Oak Hill Banks (Wesbanco) Loan (1126601)	861	3.90%
Oak Hill Banks (Wesbanco) Loan (1125601)	682	3.90%
Milton Banking Company Loan (7734093)	9,695	3.50%
Milton Banking Company Loan (7790083)	33,563	2.60%
Total	<u>\$1,119,528</u>	

\*The previously reported balance was overstated by \$48,502.

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, 2011, only \$962,432 was drawn and the loan status indicates this loan as closed. The Village will repay the loans in semiannual installments of \$29,871, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5340 originated in October 2009 to fund planning and design costs on a sewer collections improvement project, including the pay-off of OWDA loan #4905. The loan was approved in the amount of \$185,645. As of December 31, 2011, only \$178,606 has been drawn. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5884 originated in June 2011 to fund a waterline replacement project. The loan was approved in the amount of \$599,437. As of December 31, 2011, only \$359,842 has been drawn. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan CO12E is an interest-free loan that was obtained for a water system improvement project. The loan originated in 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, 2011 and 2010*

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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. However, only \$76,498 has been drawn and the project has been identified as closed. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$2,083 over 30 years.

The Wesbanco (formerly Oak Hill Bank) loan #1725201 was obtained in January 2002 in the amount of \$362,215 at 5.25% interest. The loan was for the purpose of paying the remaining principal and interest balances on outstanding Farmers Home Administration loans. Water and sewer receipts collateralized this loan. The Village will repay the loan in semiannual installments of \$2,596 over 18 years.

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

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

The Wesbanco (formerly Oak Hill Bank) loan #1125601 was obtained in April 2006 in the amount of \$13,912 at 3.90% interest. The loan was for the purpose of purchasing a 2006 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 #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.

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

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2011 and 2010

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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 Bank (Wesbanco)	Milton Banking Company
2012	\$85,357	\$5,476	\$35,258	\$21,479
2013	102,600	10,954	31,148	11,642
2014	102,600	8,121	31,148	11,642
2015	72,729	8,121	31,148	0
2016	42,858	8,121	31,148	0
2017-2021	214,292	40,605	124,631	0
2022-2026	214,292	33,918	0	0
2027-2031	200,369	12,750	0	0
2032-2036	167,881	12,750	0	0
2037-2041	167,881	12,750	0	0
2042	16,790	0	0	0
Total	<u>\$1,387,649</u>	<u>\$153,566</u>	<u>\$284,481</u>	<u>\$44,764</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 2011 and 2010, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2011 and 2010, 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, 2011.

**Note 7 – Risk Management**

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Village of Oak Hill**  
**Jackson County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2011 and 2010

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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, 2011, 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 net assets at December 31, 2011 and 2010.

	2011	2010
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	\$19,175,131	\$20,631,198

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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

Contributions to PEP	
2011	2010
\$11,953	\$16,387

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

**Note 8 – Contingent Liabilities**

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

**Village of Oak Hill**  
**Jackson County**  
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**Note 9 – Compliance**

- The Village did not timely or accurately file the certificate showing total amounts available from all sources available for expenditure and the balances existing at the end of the preceding year to the County Auditor for 2010 or 2011, which is contrary to Ohio Revised Code Section 5705.36.
- The Village did not file permanent appropriations for 2010 or 2011 with the County Auditor or timely pass temporary appropriations for 2010, which is contrary to Ohio Revised Code Section 5705.38(A), nor were appropriations passed at the proper legal level of control, which is contrary to Ohio Revised Code Section 5705.38(C).
- The Village had expenditures in excess of appropriations in 2010 and 2011, which is contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not properly approve advances between funds in 2010 and 2011 and also had inappropriate advances between funds for those years, which is contrary to the Ohio Revised Code Section 5705.10.
- The Village did not always properly encumber funds in 2010 and 2011, which is contrary to Ohio Revised Code Section 5705.41(D).
- The Village did not always record expenditures against proper funding sources, which is contrary to Ohio Revised Code Section 5705.10.
- The Village did not always record expenditures from proper funds in 2010 and 2011, which is contrary to Ohio Revised Code Section 5705.41(C).
- The Village had negative fund balances in the general fund in 2010 and 2011, which is contrary to Ohio Revised Code Section 5705.10.
- The Village had appropriations in excess of estimated resources in 2010 and 2011, which is contrary to Ohio Revised Code Section 5705.39.
- The Village did not have proper funds in place for certain grants in 2010, which is contrary to Ohio Revised Code Section 5705.09.
- The Village did not present classified financial statements for 2010 or 2011, which is contrary to Ohio Administrative Code Section 117-2-02(A).

**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. This loan was not drawn on until 2012.

**Note 11 – Change in Accounting Principles**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the Village has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Village's fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Village is bound to honor constraints in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Village had no funds which required reclassification.

**Village of Oak Hill**  
**Jackson County**  
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**Note 12 – Restatement of Beginning Balance**

The Village previously reported certain reserve funds as Special Revenue Funds. However, further investigation allowed them to locate documentation that showed these funds should instead be reported as enterprise funds. As such, beginning balances have been reported to properly reflect this activity.

	<u>Special Revenue</u>	<u>Enterprise</u>
December 31, 2009, As Reported	\$429,785	\$367,681
Restatements	(48,118)	48,118
December 31, 2009, As Restated	<u>\$381,667</u>	<u>\$415,799</u>

**Note 13 – Management’s Plan**

For the years ended December 31, 2011 and 2010, the Village had decreases in fund cash balances in its general fund of \$24,841 and \$28,668, respectively. Also, at December 31, 2011 and 2010, the Village had negative fund cash balances of \$38,064 and \$13,223, respectively.

In an effort to stabilize the Village’s fiscal condition, the Village Council has adopted an income tax levy to become effective on January 1, 2014. The levy is expected to strengthen the general fund’s cash balances.

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

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

We have audited the financial statements of the Village of Oak Hill, Jackson County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 17, 2013, which was qualified since the Village did not classify receipts and disbursements in the financial statements and 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, and that the Village has adopted Governmental Accounting Standards Board Statement No. 54. 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**

Management of the Village is responsible for establishing and maintaining effective 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 2011-10 through 2011-14.



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 2011-1 through 2011-10 and 2011-14.

We noted certain matters that we reported to the management of the Village in a separate letter dated May 17, 2013.

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.

May 17, 2013

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

**Finding 2011-1 – 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 timely file the certificate showing total amounts from all sources available for expenditures and the balances existing at the end of the preceding year to the County Auditor for 2010 and 2011. We also note that the certificates were not accurately prepared. 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 timely and accurately certify the total amounts from all sources available for expenditures and the balances existing at the end of the preceding year to the County Auditor on or about the first day of each fiscal year. Further, the Village Fiscal Officer should maintain the Official and any Amended Certificates of Estimated Resources.

***Client Response:***

Officials chose not to respond.

**Finding 2011-2 – 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<sup>st</sup>.

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

**Village of Oak Hill**  
**Jackson County**  
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**Finding 2011-2 – Noncompliance – Adoption of Appropriations (Continued)**

The Village Council did not pass a temporary appropriations measure timely for 2010 and the permanent appropriations measure was passed during an executive session. The Village Fiscal Officer did not file either year's appropriation measure with the County Auditor. Adoption of the 2011 appropriations measure was not documented within the minutes although adoption was evidenced by Council signatures on the physical document. However, these appropriations were adopted at the fund level instead of the proper legal level of control. Failure to properly approve appropriations measures could result in overspending due to a lack of monitoring. Failure to properly document such actions within the minutes results in an inaccurate and incomplete record of proceedings. The Village should adopt an appropriation measure on or about the first day of each fiscal year and file the measure with the County Auditor. Furthermore, monitoring procedures should be enhanced to ensure documents are being properly approved, filed with the County Auditor, and notated within the minutes.

***Client Response:***

Officials chose not to respond.

**Finding 2011-3 – 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. For 2010, there were no approved appropriations on file, thus all expenditures from all funds exceeded appropriations. For 2011, expenditures exceeded appropriations in several funds. This could result in overspending and negative fund balances if not properly monitored. The Village Council should adopt appropriations and file them with the County Auditor annually. Further, the Village should monitor financial activity to ensure their expenditures do not exceed the amount appropriated and the amount appropriated does not exceed the amount of resources available.

***Client Response:***

Officials chose not to respond.

**Finding 2011-4 – 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.

**Village of Oak Hill**  
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**Finding 2011-4 – Noncompliance – Advances (Continued)**

During 2010 and 2011, advances of cash were made which were not approved by a formal resolution of the Village Council.

During 2010, \$59,880 was advanced from the Permissive Sales Tax Fund to the General Fund. During 2011, \$111,357 was advanced from the Permissive Sales Tax Fund to the General Fund and advances totaling \$2,500 were advanced from the Permissive Sales Tax Fund to the Swimming Pool Fund. There is no evidence that the creditor funds purpose for these advances were consistent with the debtor funds purposes.

Several advances were not repaid by December 31, 2011, so audit adjustments were proposed and recorded to eliminate this activity.

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

***Client Response:***

Officials chose not to respond.

**Finding 2011-5 – 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.

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**Finding 2011-5 – Noncompliance – Prior Encumbrance of Funds (Continued)**

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.

***Client Response:***

Officials chose not to respond.

**Finding 2011-6 – Noncompliance – Improper Expenditures from Funding Sources**

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

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

The Jackson County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of all tangible personal property in the County, including motor vehicles, not subject to the sales tax. The sales tax is allocated fifty percent to the County’s General Fund and fifty percent to the Sales Tax Trust Agency Fund, from which the proceeds are distributed to the various taxing districts within the County for use on community improvement projects. The Village received permissive sales tax payments from the Jackson County Community Improvement Board during 2010 and 2011. 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.

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**Finding 2011-6 – Noncompliance – Improper Expenditures from Funding Sources (Continued)**

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 2010 and 2011 financial statements as well as the Village's accounting records. The Village should review expenditure postings and allocations to ensure that expenditures are posted to the proper fund in which the purpose of the fund is consistent with the purpose of the disbursement.

***Client Response:***

Officials chose not to respond.

**Finding 2011-7 – Noncompliance – Negative Fund Balances**

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2011 and 2010, the Village had negative fund cash balances in its general fund. The Village should implement proper budgetary procedures to ensure that fund balances do not run into the negative.

***Client Response:***

Officials chose not to respond.

**Finding 2011-8 – Noncompliance – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. In 2010 the Village passed the amended certificate of estimated resources during executive session. Also, the County Auditor sent a certificate that the appropriations exceeded estimated resources. In 2011 the official or amended official certificate of estimated resources was not passed. A copy was submitted to the County but it was incomplete. The Village should pass official or amended official certificate of estimated resources, submit to the county auditor, and ensure that appropriations do not exceed estimated resources.

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**Finding 2011-8 – Noncompliance – Appropriations in Excess of Estimated Resources (Continued)**

***Client Response:***

Officials chose not to respond.

**Finding 2011-9 – Noncompliance – Establishing Funds**

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

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

During our audit, we noted the following:

During 2010, 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. 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 2010 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:***

Officials chose not to respond.

**Finding 2011-10 – 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.

**Village of Oak Hill**  
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**Finding 2011-10 – Noncompliance/Material Weakness – Expenditure from Improper Funds (Continued)**

During 2010 and 2011, the Fiscal Officer’s salary was allocated among the following funds:

	General	Street Maintenance, Construction and Repair	Light	Water Operating	Sewer Operating	Pool Operating	Trash Operating	Total
2010	\$2,100	\$233	\$0	\$2,858	\$5,192	\$2,858	\$759	\$14,000
2011*	1,983	233	233	3,209	6,067	2,858	583	15,166
Total	\$4,083	\$466	\$233	\$6,067	\$11,259	\$5,716	\$1,342	\$29,166

\*The elected officials are paid on the first of each month and when that date falls on a weekend, payroll is run on the Friday before. The schedule implies that the fiscal officer was overpaid by \$1,166, but this additional amount is actually for the fiscal pay of 2012, because January 1, 2012 fell on a Sunday. We reviewed 2012 payrolls and confirmed that a duplicate payment was not issued for this pay period.

The Street Construction, Maintenance and Repair Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village Streets. The Light Fund receives property tax money to maintain the Village’s lighting infrastructure. 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 2010 and 2011 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:***

Officials chose not to respond.

**Finding 2011-11 – 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.



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**Finding 2011-11 – Material Weakness – Bank Reconciliations (Continued)**

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. The Village hired an outside consultant who identified and corrected various errors in the reconciliations. However, the Village was not in balance with the bank during the majority of the audit period. In addition, the volume and severity of the errors identified by the consultant was a deciding factor for the Village to present its financial statements for 2010 and 2011 in an unclassified format.

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

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

***Client Response:***

Officials chose not to respond.

**Finding 2011-12 – Material Weakness – Financial Reporting**

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

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

During our testing, we noted several misstatements during 2010 and 2011. Adjustments were required to properly account for revenues and expenditures, within the limitations of the Village’s unclassified statements. Improper posting of Village revenues and expenditures could result in material misstatements in the financial statements. Adjustments have been posted to the 2010 and 2011 financial statements as well as the Village’s accounting records.

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

***Client Response:***

Officials chose not to respond.

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**Finding 2011-13 – 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:***

Officials chose not to respond.

**Village of Oak Hill**  
**Jackson County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**Finding 2011-14 – Noncompliance/Material Weakness – Classified Financial Statements**

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

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

***Client Response:***

Officials chose not to respond.

**Village of Oak Hill**  
**Jackson County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2011 and 2010*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-1	ORC Section 5705.36 – Certifying amounts available for expenditures and unencumbered balances from preceding year and certificates of estimated resources	No	Reissued as Finding 2011-1
2009-2	ORC Section 5705.38(A) – Adoption of appropriations	No	Reissued as Finding 2011-2
2009-3	ORC Section 5705.41(B) – Expenditures in excess of appropriations	No	Reissued as Finding 2011-3
2009-4	ORC Section 5705.10 – Advances	No	Reissued as Finding 2011-4
2009-5	ORC Section 5705.41(D) – Expenditures made without prior encumbrance of funds	No	Reissued as Finding 2011-5
2009-6	ORC Section 135.18 – Collateral on deposits	Yes	
2009-7	Ohio Revised Code (ORC) Section 5705.10 – Expenditures from improper sources and funds (Cemetery Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, and Permissive Sales Tax Fund)	No	Reissued as Finding 2011-6
2009-8	ORC Section 5705.09 – Establishing funds	No	Reissued as Finding 2011-9
2009-9	ORC Sections 5705.10(H) and 5705.41(C)/Material Weakness – Expenditures made from improper sources and funds	No	Reissued as Finding 2011-10
2009-10	Material Weakness – Bank reconciliations	No	Reissued as Finding 2011-11
2009-11	Material Weakness – Financial Reporting	No	Reissued as Finding 2011-12
2009-12	Material Weakness – Financial Monitoring	No	Reissued as Finding 2011-13



# 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  
NOVEMBER 14, 2013**