

Village of Oak Hill
Jackson County
Regular Audit
For the Years Ended December 31, 2017 and 2016



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Oak Hill, Jackson County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2016 through December 31, 2017. 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

August 22, 2018

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Village of Oak Hill
Jackson County
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Oak Hill, Jackson County, (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinion* paragraphs below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, or the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

We were unable to obtain sufficient appropriate audit evidence to support the receipts and disbursements for the mayor's court fiduciary fund for the years ended December 31, 2017 and 2016 and which make up 100 percent of the receipts and disbursements for the fiduciary fund type. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the fiduciary fund type of the Village of Oak Hill, Jackson County, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinion

In our opinion, except for the fiduciary fund type, the financial statements referred to above present fairly, in all material respects, the combined cash balances, receipts and disbursements by fund type, and related notes of the Village of Oak Hill, Jackson County, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 22, 2018

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, 2017

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$103,487	\$143,608	\$247,095
Municipal Income Taxes	130,600	0	130,600
Intergovernmental	57,855	105,329	163,184
Charges for Services	335	40,966	41,301
Fines, Licenses and Permits	19,266	8,247	27,513
Earnings on Investments	3,460	525	3,985
Miscellaneous	1,356	710	2,066
Total Cash Receipts	316,359	299,385	615,744
Cash Disbursements:			
Security of Persons and Property	151,113	96,052	247,165
Public Health Services	20,953	55,577	76,530
Basic Utility Services	1,259	0	1,259
Transportation	0	54,956	54,956
General Government	82,865	3,760	86,625
Capital Outlay	32,195	91,301	123,496
Total Cash Disbursements	288,385	301,646	590,031
Excess of Receipts Over (Under) Disbursements	27,974	(2,261)	25,713
Other Financing Sources:			
Proceeds from Debt	0	14,000	14,000
Other Financing Sources	2,873	3,977	6,850
Total Other Financing Sources	2,873	17,977	20,850
Net Change in Fund Cash Balances	30,847	15,716	46,563
Fund Cash Balances, January 1	90,536	306,937	397,473
Nonspendable	265	1,600	1,865
Assigned for Budget Deficit	102,464	0	102,464
Restricted			
Cemetery	0	91,358	91,358
Community Development	0	112,446	112,446
Drug and Alcohol Education and Enforcement	0	4,807	4,807
Economic Development	0	14,773	14,773
Police Operations	0	8,119	8,119
Road Maintenance and Improvements	0	89,550	89,550
Unassigned	18,654	0	18,654
Fund Cash Balances, December 31	\$121,383	\$322,653	\$444,036

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

Village of Oak Hill
Jackson County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$814,326	\$0	\$814,326
Total Operating Cash Receipts	814,326	0	814,326
Operating Cash Disbursements:			
Personal Services	143,129	0	143,129
Employee Fringe Benefits	71,765	0	71,765
Contractual Services	1,097	0	1,097
Supplies and Materials	292,596	0	292,596
Other	232,096	0	232,096
Total Operating Cash Disbursements	740,683	0	740,683
Operating Income	73,643	0	73,643
Non-Operating Cash Receipts:			
Property and Other Local Taxes	21,702	0	21,702
Intergovernmental	3,716	0	3,716
Special Assessments	237	0	237
Miscellaneous	4,208	0	4,208
Proceeds from Debt	130,000	0	130,000
Other Non-Operating Receipts	1,709	24,441	26,150
Total Non-Operating Cash Receipts	161,572	24,441	186,013
Non-Operating Cash Disbursements:			
Principal	89,800	0	89,800
Interest and Other Fiscal Charges	23,614	0	23,614
Capital Outlay	144,654	0	144,654
Other Non-Operating Disbursements	0	25,564	25,564
Total Non-Operating Cash Disbursements	258,068	25,564	283,632
Change in Fund Cash Balances	(22,853)	(1,123)	(23,976)
Fund Cash Balances, January 1	371,143	2,888	374,031
Fund Cash Balances, December 31	\$348,290	\$1,765	\$350,055

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 Year Ended December 31, 2017

Note 1 – Reporting 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 reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Oak Hill provides the following services to its citizens: 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

Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board; and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Village.

The Village of Oak Hill Community Improvement Corporation (the CIC) was formed on November 28, 2016 as a legally separate not-for-profit organization, created under Ohio Revised Code Chapter 1724, to support the advancement, encouragement and promotion of the industrial, economic, commercial and civic development of the Village of Oak Hill. The CIC is governed by a three-member Board of Directors appointed by the Village of Oak Hill, which consists of the Village Mayor, Village Fiscal Officer, and a member of Village Council. The Board of Directors has the authority to make, prescribe, and enforce all rules and regulations for the conduct of all business and affairs of the CIC and the management and control of its properties. Because the Village makes up and/or appoints a voting majority of the Board of Directors, and the Village is able to impose its will on the operation of the CIC, the relationship between the Village and the CIC is such that exclusion could cause the Village's financial statements to be misleading. However, since no material financial activity has occurred, no financial information relating to the CIC is presented in the Village's financial statements.

Financial information for the CIC can be requested from the Village of Oak Hill, 415 North Front Street, Oak Hill, Ohio 45656.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio which is a public entity risk pool. Note 8 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.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

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

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.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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. Appropriations lapse at year-end.

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

Encumbrances – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled, and re-appropriated in the subsequent year.

A summary of the 2017 budgetary activity appears in Note 4.

Fund Balance

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

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

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

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

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

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

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Capital Assets

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

Accumulated Leave

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

Note 3 – Deposits and Investments

The Village maintains a deposit 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, 2017 was as follows:

Demand deposits	\$667,740
Certificates of deposit	<u>124,751</u>
Total deposits	792,491
U.S. savings bonds	<u>1,600</u>
Total deposits and investments	<u>\$794,091</u>

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral 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
For the Year Ended December 31, 2017

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,000	\$319,232	\$19,232
Special Revenue	281,950	317,362	35,412
Enterprise	875,100	975,898	100,798
Total	\$1,457,050	\$1,612,492	\$155,442

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$318,589	\$288,385	\$30,204
Special Revenue	565,276	301,646	263,630
Enterprise	1,246,652	998,751	247,901
Total	\$2,130,517	\$1,588,782	\$541,735

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

Income Taxes

The Village levies a municipal income tax of a half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (5340)	\$107,163	5.28%
Ohio Water Development Authority Loan (5884)	526,789	3.35%-3.79%
Ohio Water Development Authority Loan (6768)	106,183	2.00%
Ohio Water Development Authority Loan (7310)	116,350	0.00%
Ohio Public Works Commission (CO08N)	142,917	0.00%
Ohio Public Works Commission (CO36F)	18,205	0.00%
Ohio Public Works Commission (CO05H)	25,248	0.00%
Ohio Public Works Commission (CT78M)	61,199	0.00%
Wesbanco Loan (122226)	16,982	2.75%
Wesbanco Lease-Purchase (7200303947)	14,000	3.50%
Total	<u>\$1,135,036</u>	

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, 2017, only \$178,606 has been drawn and the loan status indicates this loan is closed. 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, 2017, the full amount has been drawn. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #6768 originated in June 2014 to fund a water meter replacement project. The loan was approved in the amount of \$138,794. As of December 31, 2017, \$124,430 had been drawn and the loan status indicates this loan is closed. 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 #7310 originated in April 2016 to fund improvements to the wastewater treatment plant. The loan was approved in the amount of \$136,500. As of December 31, 2017, \$130,000 had been drawn. Water and sewer receipts will collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

Village of Oak Hill
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Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

The Wesbanco lease-purchase #7200303947 was obtained in 2017 in the amount of \$14,000 at 3.5% interest. The lease-purchase was for the purpose of purchasing a police vehicle. The lease-purchase is secured by the vehicle. The Village will repay the lease-purchase in monthly installments of \$2,478 through February 2018.

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

Year ending December 31:	OWDA	OPWC	Wesbanco Loan	Wesbanco Lease- Purchase
2018	\$26,075	\$13,955	\$17,513	\$14,870
2019	52,149	13,954	0	0
2020	52,149	13,954	0	0
2021	52,149	13,954	0	0
2022	52,149	13,954	0	0
2023-2027	260,746	57,513	0	0
2028-2032	219,134	41,915	0	0
2033-2037	167,880	41,915	0	0
2038-2042	151,092	36,455	0	0
Total	<u>\$1,033,523</u>	<u>\$247,569</u>	<u>\$17,513</u>	<u>\$14,870</u>

Note 7 – Defined Benefit Pension Plans and Postemployment Benefits

Ohio Public Employees Retirement System

The Village’s full-time employees other than police officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village’s police officers belong to the Ohio Police & Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2017.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 8 – 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. 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 York. 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 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, 2016 (the most recent information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 (the most recent information available).

Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately \$12 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed to approximately 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village’s share of these unpaid claims collectible in future years is approximately \$13,000.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 for 2017

\$21,213

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 9 – Contingent Liabilities

Grants

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.

Litigation

The Village is not currently party to litigation.

Note 10 – Compliance

The Village did not always properly encumber funds, which is contrary to Ohio Revised Code Section 5705.41(D).

The Village did not keep a docket in accordance with Ohio Revised Code Section 1905.21.

The Village did not properly transmit money in accordance with Ohio Revised Code Section 2949.091.

Note 11 – Subsequent Event

The Ohio Water Development Authority (OWDA) loan #7944 originated in January 2018 to fund improvements to the wastewater treatment plant. The loan was approved in the amount of \$336,623. Water and sewer receipts will collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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, 2016

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$104,900	\$144,050	\$248,950
Municipal Income Taxes	117,298	0	117,298
Intergovernmental	58,003	96,646	154,649
Charges for Services	587	35,723	36,310
Fines, Licenses and Permits	30,076	4,372	34,448
Earnings on Investments	3,425	580	4,005
Miscellaneous	619	8,648	9,267
Total Cash Receipts	314,908	290,019	604,927
Cash Disbursements:			
Security of Persons and Property	165,089	86,253	251,342
Public Health Services	18,180	56,005	74,185
Basic Utility Services	451	0	451
Transportation	0	68,849	68,849
General Government	62,598	3,716	66,314
Capital Outlay	0	102,867	102,867
Total Cash Disbursements	246,318	317,690	564,008
Excess of Receipts Over (Under) Disbursements	68,590	(27,671)	40,919
Other Financing Sources:			
Other Financing Sources	533	0	533
Total Other Financing Sources	533	0	533
Net Change in Fund Cash Balances	69,123	(27,671)	41,452
Fund Cash Balances, January 1 - Restated	21,413	334,608	356,021
Nonspendable	265	1,600	1,865
Assigned for Budget Deficit	18,589	0	18,589
Restricted			
Cemetery	0	97,453	97,453
Community Development	0	65,671	65,671
Drug and Alcohol Education and Enforcement	0	23,863	23,863
Economic Development	0	25,904	25,904
Police Operations	0	748	748
Road Maintenance and Improvements	0	94,475	94,475
Unassigned (Deficit)	71,682	(2,777)	68,905
Fund Cash Balances, December 31	\$90,536	\$306,937	\$397,473

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

Village of Oak Hill
Jackson County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$792,191	\$0	\$792,191
Miscellaneous	38	0	38
Total Operating Cash Receipts	792,229	0	792,229
Operating Cash Disbursements:			
Personal Services	154,128	0	154,128
Employee Fringe Benefits	91,669	0	91,669
Contractual Services	1,249	0	1,249
Supplies and Materials	304,172	0	304,172
Other	261,561	0	261,561
Total Operating Cash Disbursements	812,779	0	812,779
Operating Loss	(20,550)	0	(20,550)
Non-Operating Cash Receipts:			
Property and Other Local Taxes	21,986	0	21,986
Intergovernmental	3,915	0	3,915
Miscellaneous	5,633	0	5,633
Other Non-Operating Receipts	1,164	29,940	31,104
Total Non-Operating Cash Receipts	32,698	29,940	62,638
Non-Operating Cash Disbursements:			
Principal	84,100	0	84,100
Interest and Other Fiscal Charges	26,167	0	26,167
Capital Outlay	20,000	0	20,000
Other Non-Operating Disbursements	22	30,203	30,225
Total Non-Operating Cash Disbursements	130,289	30,203	160,492
Change in Fund Cash Balances	(118,141)	(263)	(118,404)
Fund Cash Balances, January 1 - Restated	489,284	3,151	492,435
Fund Cash Balances, December 31	\$371,143	\$2,888	\$374,031

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 Year Ended December 31, 2016

Note 1 – Reporting 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 8 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

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. Appropriations lapse at year-end.

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

Encumbrances – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled, and re-appropriated in the subsequent year.

A summary of the 2016 budgetary activity appears in Note 4.

Fund Balance

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

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

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

Capital Assets

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

Accumulated Leave

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

Note 3 – Deposits and Investments

The Village maintains a deposit 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, 2016 was as follows:

Demand deposits	\$645,314
Certificates of deposit	124,590
Total deposits	<u>769,904</u>
U.S. savings bonds	1,600
Total deposits and investments	<u>\$771,504</u>

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.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$290,650	\$315,441	\$24,791
Special Revenue	277,950	290,019	12,069
Enterprise	710,100	824,927	114,827
Total	\$1,278,700	\$1,430,387	\$151,687

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$285,747	\$246,318	\$39,429
Special Revenue	559,010	317,690	241,320
Enterprise	1,132,773	986,244	146,529
Total	\$1,977,530	\$1,550,252	\$427,278

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

Income Taxes

The Village levies a municipal income tax of a half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (5340)	\$116,095	5.28%
Ohio Water Development Authority Loan (5884)	540,088	3.79%-3.35%
Ohio Water Development Authority Loan (6768)	112,221	2.00%
Ohio Public Works Commission (CO08N)	145,834	0.00%
Ohio Public Works Commission (CO36F)	19,505	0.00%
Ohio Public Works Commission (CO05H)	26,733	0.00%
Ohio Public Works Commission (CT78M)	62,473	0.00%
Wesbanco Loan (122226)	58,363	2.75%
Total	<u>\$1,081,312</u>	

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, 2016, only \$178,606 has been drawn and the loan status indicates this loan is closed. 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, 2016, the full amount has been drawn. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #6768 originated in June 2014 to fund a water meter replacement project. The loan was approved in the amount of \$138,794. As of December 31, 2016, \$124,430 had 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 #7310 originated in April 2016 to fund improvements to the wastewater treatment plant. The loan was approved in the amount of \$136,500. As of December 31, 2016, there had been no funds drawn. Water and sewer receipts will collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

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

Year ending December 31:	OWDA	OPWC	Wesbanco
2017	\$21,253	\$6,977	\$42,467
2018	52,149	13,954	17,694
2019	52,149	13,954	0
2020	52,149	13,954	0
2021	52,149	13,954	0
2022-2026	260,746	63,084	0
2027-2031	237,707	41,915	0
2032-2036	167,880	41,915	0
2037-2041	167,880	41,914	0
2042	16,788	2,924	0
Total	<u>\$1,080,850</u>	<u>\$254,545</u>	<u>\$60,161</u>

Note 7 – Defined Benefit Pension Plans and Postemployment Benefits

Ohio Public Employees Retirement System

The Village’s full-time employees other than police officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village’s police officers belong to the Ohio Police & Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2016.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 8 – 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. 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 York. 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 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed to approximately 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village’s share of these unpaid claims collectible in future years is approximately \$13,000.

Village of Oak Hill
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 for 2016

\$21,181

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 9 – Contingent Liabilities

Grants

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.

Litigation

The Village is not currently party to litigation.

Note 10 – Compliance

The Village did not always properly encumber funds, which is contrary to Ohio Revised Code Section 5705.41(D).

The Village did not keep a docket in accordance with Ohio Revised Code Section 1905.21.

The Village did not properly transmit money in accordance with Ohio Revised Code Section 2949.091.

Note 11 – Subsequent Event

The Ohio Water Development Authority (OWDA) loan #7944 originated in January 2018 to fund improvements to the wastewater treatment plant. The loan was approved in the amount of \$336,623. Water and sewer receipts will collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Note 12 – Restatement of Fund Balances

In prior years, the Village reported its unclaimed monies balance of \$265 in an agency fund, but such funds should have been reported with the General Fund with the implementation of Governmental Accounting Standards Board Statement No. 54. A correcting entry was made to the January 1, 2016 balance to reduce fiduciary fund balance and increase General Fund balance by this \$265 unclaimed monies total.

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*

Independent Auditor's Report

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

We have audited, 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, the financial statements of the Village of Oak Hill, Jackson County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as receipts and disbursements for the mayor's court fiduciary fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-002, 2017-003, and 2017-005 through 2017-008 that we consider to be material weaknesses.

Village of Oak Hill

Jackson County

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

Page 2

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 2017-001, 2017-003 and 2017-004.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 22, 2018

Village of Oak Hill
Jackson County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

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

Finding 2017-001 – 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"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation 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, 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.

Village of Oak Hill
Jackson County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Finding 2017-001 – Noncompliance – Prior Encumbrance of Funds (Continued)

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:

The Village will properly date POs and monitor.

Finding 2017-002 – 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 2016 and 2017. Adjustments were required to correct these misstatements. Improper posting of Village revenues and expenditures could result in material misstatements in the financial statements. Adjustments have been posted to the 2016 and 2017 financial statements as well as the Village's accounting records to correct these errors.

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 and notes to the financial statements are complete and accurate. The Village Fiscal Officer should use due care while posting revenues and expenditures so that amounts are posted to the proper fund and revenue and/or expenditure classification codes.

Client Response:

Officials chose not to respond.

Finding 2017-003 – Noncompliance/Material Weakness – Mayor's Court Docket and Disposition of Fines and Other Monies

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

Client Response:

Implant.

Village of Oak Hill
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Schedule of Findings and Responses
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Finding 2017-004 - Noncompliance – Mayor’s Court Monthly Remittances

Ohio Revised Code Section 2949.091 states in part that all money collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of courts to the treasurer of the state. The Mayor’s Court Clerk transmitted money to the treasurer of the state for 2017 and 2016, however since a cashbook was not maintained it could not be determined if all money collected during a month and owed to the state were transmitted. The Village should implement the appropriate procedures to ensure that the Mayor’s Court Clerk accurately, completely, and timely transmits to the state on or before the twentieth day of the month all money collected during the previous month.

Client Response:

The Village will maintain proper documents.

Finding 2017-005 – Material Weakness – Budgetary Information

Accurate beginning cash balances on the Village’s certificate of estimated resources are pertinent to ensure that the Village has accurate and complete information for decision-making processes. If changes are made to cash balances for any reason, related budgetary documents should be updated accordingly.

2016 beginning balances per the Village’s certificate of estimated resources did not match the audited final 2015 balances.

The Village should implement the appropriate procedures to ensure that if changes are made to beginning cash balances, the certificate of estimated resources is amended to reflect the updated information, and the appropriation resolution is reviewed to ensure appropriations do not exceed estimated resources.

Client Response:

The Village will closely monitor.

Finding 2017-006 – 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. Additionally, a monitoring system by the Village should be in place to ensure bank reconciliations are timely reviewed.

The Mayor’s court clerk did not prepare bank reconciliations for most months during 2017. Further, the bank reconciliations for the general account and the Mayor’s court account were not reviewed. The Mayor’s court clerk should perform monthly reconciliations to ensure the accuracy and completeness of cash balances. Further, council or the Mayor should review reconciliations to provide additional assurance as to the accuracy, completeness, and appropriateness of the reconciliations performed.

Client Response:

Different Clerk now reconciliations being done.

Village of Oak Hill
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Finding 2017-007 – 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 and a fund status report during the monthly meetings, however, there were numerous adjustments to the financial statements and instances of budgetary noncompliance which indicate that monitoring is not sufficient to ensure financial activity is properly present or that compliance requirements are adhered to. 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:

Provide more info for meeting.

Village of Oak Hill
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Finding 2017-008 – Material Weakness – Income Tax Controls

Having sound internal controls over the processing of revenue transactions is a necessary aspect of the control environment to assure that revenues are being recorded accurately. During testing of revenues generated by income taxes it was noted that there are not controls in place for the monitoring of the revenues generated. The Village outsources their collections to an independent contractor. The Village does not have controls in place to assure that the amounts received are correct. The Village should implement controls to monitor the revenues generated by income taxes and assure the revenues received are accurate.

Client Response:

Officials chose not to respond.

Village of Oak Hill
Jackson County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2017 and 2016

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Ohio Revised Code Section 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2017-001
2015-002	Ohio Revised Code Section 5705.41(B) – Expenditures in Excess of Appropriations	Yes	
2015-003	Ohio Revised Code Section 5705.10(H) – Negative Fund Balances	No	Reissued in Management Letter
2015-004	Ohio Revised Code Section 5705.39 – Appropriations in Excess of Estimated Resources	Yes	
2015-005	Material Weakness – Financial Reporting	No	Reissued as Finding 2017-002
2015-006	Ohio Revised Code Section 1905.21/Material Weakness – Mayor’s Court Docket and Disposition of Fines and Other Monies	No	Reissued as Finding 2017-003
2015-007	Ohio Revised Code Section 2949.091 – Mayor’s Court	No	Reissued as Finding 2017-004
2015-008	Material Weakness – Budgetary Information within UAN	No	Reissued as Finding 2017-005
2015-009	Material Weakness – Mayor’s Court Bank Reconciliations	No	Reissued as Finding 2017-006
2015-010	Material Weakness – Financial Monitoring	No	Reissued as Finding 2017-007
2015-011	Ohio Revised Code Section 5705.10 – Improper Expenditures from Funding Sources	Yes	
2015-012	Ohio Revised Code Section 731.14 – Competitive Bidding	No	No longer valid due to no bidding during the audit period



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
SEPTEMBER, 4 2018