

Village of Oak Hill

Jackson County, Ohio

Regular Audit

For the Years Ended December 31, 2003 and 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

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 Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 3, 2005

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VILLAGE OF OAK HILL
JACKSON COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Oak Hill, Jackson County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Oak Hill, Jackson County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Oak Hill
Jackson County
Independent Auditor's Report
Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 29, 2004

VILLAGE OF OAK HILL
JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$120,142	\$112,993	\$0	\$0	\$233,135
Intergovernmental Receipts	92,554	63,756	71,018	0	227,328
Charges for Services	8,110	24,064	0	0	32,174
Fines, Licenses, and Permits	13,735	0	0	0	13,735
Earnings on Investments	8,992	284	0	3,797	13,073
Miscellaneous	5,730	4,435	0	991	11,156
Total Cash Receipts	249,263	205,532	71,018	4,788	530,601
Cash Disbursements:					
Current:					
Security of Persons and Property	199,545	6,184	0	0	205,729
Public Health Services	0	66,442	0	0	66,442
Basic Utility Services	31,339	0	0	0	31,339
Transportation	0	52,920	0	0	52,920
General Government	38,775	766	0	0	39,541
Debt Service:					
Principal Payments	3,015	0	0	0	3,015
Interest Payments	55	0	0	0	55
Capital Outlay	0	44,929	107,046	1,765	153,740
Total Cash Disbursements	272,729	171,241	107,046	1,765	552,781
Total Receipts Over/(Under) Disbursements	(23,466)	34,291	(36,028)	3,023	(22,180)
Other Financing Receipts and (Disbursements):					
Transfers-In	0	12,639	0	991	13,630
Advances-In	57,871	5,244	0	0	63,115
Transfers-Out	(12,882)	0	0	0	(12,882)
Advances-Out	(60,637)	(5,244)	0	0	(65,881)
Other Sources	10,233	0	0	0	10,233
Other Financing Uses	(47)	(30,632)	0	0	(30,679)
Total Other Financing Receipts/(Disbursements)	(5,462)	(17,993)	0	991	(22,464)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(28,928)	16,298	(36,028)	4,014	(44,644)
Fund Cash Balances, January 1	57,811	203,976	60,441	83,886	406,114
Fund Cash Balances, December 31	\$28,883	\$220,274	\$24,413	\$87,900	\$361,470
Reserves for Encumbrances, December 31	\$571	\$3,548	\$0	\$0	\$4,119

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

VILLAGE OF OAK HILL
JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$917,079	\$0	\$0	\$917,079
Interest	10	0	0	10
Miscellaneous	5,208	0	0	5,208
Total Operating Cash Receipts	922,297	0	0	922,297
Operating Cash Disbursements:				
Personal Services	157,135	0	0	157,135
Fringe Benefits	85,494	0	0	85,494
Contractual Services	180,715	0	0	180,715
Supplies and Materials	35,565	0	0	35,565
Capital Outlay	63,292	0	0	63,292
Miscellaneous	151,870	0	0	151,870
Total Operating Cash Disbursements	674,071	0	0	674,071
Operating Income/(Loss)	248,226	0	0	248,226
Non-Operating Cash Receipts:				
Special Assessments	45	0	0	45
Proceeds from Notes and Bonds	362,215	0	0	362,215
Other Non-Operating Receipts	33,801	0	14,329	48,130
Total Non-Operating Cash Receipts	396,061	0	14,329	410,390
Non-Operating Cash Disbursements:				
Debt Service:				
Principal	413,716	0	0	413,716
Interest	51,105	0	0	51,105
Other Non-Operating Cash Disbursements	187,374	0	15,585	202,959
Total Non-Operating Cash Disbursements	652,195	0	15,585	667,780
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(7,908)	0	(1,256)	(9,164)
Transfers-In	242	0	0	242
Advances-In	68,599	0	0	68,599
Transfers-Out	(990)	0	0	(990)
Advances-Out	(65,833)	0	0	(65,833)
Net Receipts Over/(Under) Disbursements	(5,890)	0	(1,256)	(7,146)
Fund Cash Balances, January 1	228,160	11,695	1,741	241,596
Fund Cash Balances, December 31	\$222,270	\$11,695	\$485	\$234,450
Reserve for Encumbrances, December 31	\$3,609	\$0	\$0	\$3,609

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

VILLAGE OF OAK HILL
JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$142,236	\$129,280	\$0	\$0	\$271,516
Intergovernmental Receipts	78,928	60,846	224,684	0	364,458
Charges for Services	106	35,172	0	0	35,278
Fines, Licenses, and Permits	11,834	0	0	0	11,834
Earnings on Investments	18,471	175	0	457	19,103
Miscellaneous	8,445	13,964	0	0	22,409
Total Cash Receipts	260,020	239,437	224,684	457	724,598
Cash Disbursements:					
Current:					
Security of Persons and Property	226,074	4,227	0	0	230,301
Public Health Services	0	55,419	0	0	55,419
Basic Utility Services	33,299	0	0	0	33,299
Transportation	0	40,684	0	0	40,684
General Government	42,887	3,067	0	0	45,954
Capital Outlay	0	65,675	164,243	0	229,918
Debt Service:					
Principal Payments	6,939	3,657	0	0	10,596
Interest Payments	412	110	0	0	522
Total Cash Disbursements	309,611	172,839	164,243	0	646,693
Total Receipts Over/(Under) Disbursements	(49,591)	66,598	60,441	457	77,905
Other Financing Sources and (Uses):					
Transfers-In	12,278	2,996	0	0	15,274
Transfers-Out	(76,830)	(12,278)	0	0	(89,108)
Advances-In	13,000	100	0	0	13,100
Advances-Out	(3,700)	(5,000)	0	0	(8,700)
Other Financing Uses	0	(33,162)	0	0	(33,162)
Total Other Financing Sources/(Uses)	(55,252)	(47,344)	0	0	(102,596)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(104,843)	19,254	60,441	457	(24,691)
Fund Cash Balances, January 1	162,654	184,722	0	83,429	430,805
Fund Cash Balances, December 31	\$57,811	\$203,976	\$60,441	\$83,886	\$406,114
Reserves for Encumbrances, December 31	\$310	\$4,226	\$42,000	\$0	\$46,536

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

VILLAGE OF OAK HILL
JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary	Fiduciary		Totals (Memorandum Only)
	Fund Types	Fund Types		
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$727,064	\$0	\$0	\$727,064
Miscellaneous	3,317	0	0	3,317
Total Operating Cash Receipts	730,381	0	0	730,381
Operating Cash Disbursements:				
Personal Services	175,371	0	0	175,371
Fringe Benefits	83,052	0	0	83,052
Contractual Services	225,867	0	0	225,867
Supplies and Materials	68,321	0	0	68,321
Other	82,363	0	0	82,363
Capital Outlay	8,467	0	0	8,467
Total Operating Cash Disbursements	643,441	0	0	643,441
Operating Income/(Loss)	86,940	0	0	86,940
Non-Operating Cash Receipts:				
Special Assessments	190,689	0	0	190,689
Other Non-Operating Receipts	224	0	17,136	17,360
Total Non-Operating Cash Receipts	190,913	0	17,136	208,049
Non-Operating Cash Disbursements:				
Redemption of Principal	40,369	0	0	40,369
Interest and Other Fiscal Charges	8,337	0	0	8,337
Other Non-Operating Cash Disbursements	376,484	0	15,919	392,403
Total Non-Operating Cash Disbursements	425,190	0	15,919	441,109
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(147,337)	0	1,217	(146,120)
Transfers-In	73,834	0	0	73,834
Advances-In	3,600	0	0	3,600
Advances-Out	(8,000)	0	0	(8,000)
Net Receipts Over/(Under) Disbursements	(77,903)	0	1,217	(76,686)
Fund Cash Balances, January 1	306,063	11,695	524	318,282
Fund Cash Balances, December 31	\$228,160	\$11,695	\$1,741	\$241,596
Reserve for Encumbrances, December 31	\$23,240	\$0	\$0	\$23,240

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments Savings bonds and certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

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

VILLAGE OF OAK HILL
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

3. Enterprise Funds

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

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

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

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

4. Fiduciary Funds (Trust and Agency Funds)

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

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

E. Budgetary Process

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

1. Appropriations

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

VILLAGE OF OAK HILL
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$396,915	\$ 148,262
Certificates of deposit	197,405	497,848
Total deposits	594,320	646,110
U.S. Savings Bonds	1,600	1,600
Total deposits and investments	\$595,920	\$ 647,710

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

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,000	\$259,496	\$ 9,496
Special Revenue	148,232	218,171	69,939
Capital Project	73,500	71,018	(2,482)
Enterprise	1,300,715	1,318,600	17,885
Expendable Trust	4,000	5,779	1,779
Total	\$1,776,447	\$1,873,064	\$96,617

2003 Budgeted vs. Actual Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$349,110	\$286,229	\$62,881
Special Revenue	272,514	205,421	67,093
Capital Project	130,941	107,046	23,895
Enterprise	1,425,018	1,330,865	94,153
Expendable Trust	7,500	1,765	5,735
Total	\$2,185,083	\$1,931,326	\$253,757

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,000	\$272,298	\$72,298
Special Revenue	145,216	242,433	97,217
Capital Project	0	224,684	224,684
Enterprise	851,475	995,128	143,653
Expendable Trust	3,624	457	(3,167)
Total	\$1,200,315	\$1,735,000	\$534,685

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$414,326	\$386,751	\$27,575
Special Revenue	323,334	222,505	100,829
Capital Project	248,850	206,243	42,607
Enterprise	1,174,019	1,091,871	82,148
Expendable Trust	0	0	0
Total	\$2,160,529	\$1,907,370	\$253,159

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$580,877	2.20%
Ohio Public Works Commission CT45B	31,041	0.00%
Ohio Public Works Commission CO12E	26,909	0.00%
Oak Hill Bank Loan	349,788	5.25%
Total	<u>\$988,615</u>	

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

The Ohio Public Works Commission loan CT45B is an interest free loan that was obtained for a water line replacement project. The loan originated in 1999 in the amount of \$56,438. The loan is collateralized by the water and sewer receipts.

The Ohio Public Works Commission loan CO12E is an interest free loan that was obtained for a water line replacement project. The loan originated in 2003 in the amount of \$28,325. The loan is collateralized by the water and sewer receipts.

The Oak Hill Bank Loan was obtained in January 2003 in the amount of \$362,215 at 5.25% interest. The loan was for the purpose of paying the remaining principal and interest balances of the Farmers Home Administration loans outstanding in the prior year. The loan is collateralized by water and sewer receipts.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

5. **DEBT (Continued)** Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31	OWDA Loan	OPWC Loan CT45B	OPWC Loan CO12E	Oak Hill Bank Loan
2004	\$59,742	\$5,644	\$2,832	\$31,148
2005	59,742	5,644	2,832	31,148
2006	59,742	5,644	2,832	31,148
2007	59,742	5,644	2,832	31,148
2008	59,742	5,644	2,832	31,148
2009 – 2013	298,710	2,821	12,749	155,740
2014 – 2018	59,742	0	0	155,740
2019 – 2023	0	0	0	62,296
Total	\$657,162	\$31,041	\$26,909	\$529,516

6. **RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and from January 1, 2002 through December 31, 2003. The Village has paid all contributions required through December 31, 2003.

7. **RISK MANAGEMENT**

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

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

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. APEEP's Guaranteed Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with general accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

8. CONTINGENT LIABILITIES

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

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Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with *Government Auditing Standards*

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Oak Hill, Jackson County, Ohio (the Village), as of and for the years ending December 31, 2003 and 2002, and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We noted certain other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal over financial reporting, which we have reported to the management of the Village in a separate letter dated October 29, 2004.

Village of OakHill
Jackson County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 29, 2004

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue for that fund. Appropriations exceeded estimated revenue in 2003 by \$41,609 in the general fund, and by \$39,000 in the capital project fund. Appropriations exceeded estimated revenue in 2002 by \$70,049 in the general fund, \$248,850 in the capital projects fund and by \$45,375 in the enterprise fund. This was due to overstated cash balances in the Official Certificate of Estimated Resources filed with the County Budget Commission.

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

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) stipulates that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also provides two exceptions to the above requirements.

- A. Then and now certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free from any previous encumbrances, The Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, is such expenditure is otherwise valid.
- B. If the amount involved is less than \$3,000 the Clerk may authorize it to be paid without affirmation of Council.

The Village should issue a purchase order prior to any orders or contracts being made.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30740-001	Revised Code 5705.39, appropriations exceeded estimated revenues	No	Not Corrected, Repeated as Finding 2003-001.
2001-30740-002	Reportable condition, receipts improperly classified	Yes	Corrected.
2001-30740-003	Revised Code 5705.41 (B), expenditures exceeded appropriations.	Yes	Corrected.

VILLAGE OF OAK HILL
JACKSON COUNTY

CORRECTIVE ACTION PLAN
DECEMBER 31, 2003 AND 2002

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	Appropriations will be compared to the Amended Certificates of Estimated Resources when they are approved by Council.	January, 2004	Martha Detty, Clerk/Treasurer Robert Jones, Mayor
2003-002	Purchase orders will be utilized prior to purchases or payments.	January, 2004	Martha Detty, Clerk/Treasurer Robert Jones, Mayor



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**VILLAGE OF OAK HILL
JACKSON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2005**