



Mary Taylor, CPA
Auditor of State

VILLAGE OF OAK HILL
JACKSON COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 17, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, 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, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

As indicated in the financial statements, the Village had a negative cash balance of \$10,350 at December 31, 2007 in the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

March 17, 2009

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, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$115,685	\$138,398		\$254,083
Intergovernmental Receipts	62,831	130,580		193,411
Charges for Services	186	27,001		27,187
Fines, Licenses, and Permits	13,757			13,757
Earnings on Investments	4,475	5,734		10,209
Miscellaneous	20,780	7,198		27,978
	<u>217,714</u>	<u>308,911</u>	<u>\$0</u>	<u>526,625</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	183,092	74,552		257,644
Public Health Services		54,758		54,758
Community Environment		16,075		16,075
Basic Utility Services	11,684			11,684
Transportation		60,682		60,682
General Government	44,641	579		45,220
Debt Service:				
Principal Payments		5,059		5,059
Interest Payments		904		904
Capital Outlay	28,776	106,850	23,600	159,226
	<u>268,193</u>	<u>319,459</u>	<u>23,600</u>	<u>611,252</u>
Total Receipts Over/(Under) Disbursements	<u>(50,479)</u>	<u>(10,548)</u>	<u>(23,600)</u>	<u>(84,627)</u>
Other Financing Receipts/(Disbursements):				
Proceeds of Loans			23,600	23,600
Advances-In	1,000			1,000
Advances-Out	(2,000)			(2,000)
Other Financing Uses	(31)			(31)
	<u>(1,031)</u>	<u>0</u>	<u>23,600</u>	<u>22,569</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(51,510)	(10,548)	0	(62,058)
Fund Cash Balances, January 1	41,160	416,868		458,028
Fund Cash Balances, December 31	<u>(\$10,350)</u>	<u>\$406,320</u>	<u>\$0</u>	<u>\$395,970</u>
Reserves for Encumbrances, December 31	<u>\$1,070</u>	<u>\$3,595</u>	<u>\$0</u>	<u>\$4,665</u>

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$780,849
Total Operating Cash Receipts	780,849
Operating Cash Disbursements:	
Personal Services	145,299
Fringe Benefits	64,827
Contractual Services	126,561
Supplies and Materials	253,841
Other	29,729
Total Operating Cash Disbursements	620,257
Operating Income/(Loss)	160,592
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	24,337
Intergovernmental Receipts	4,277
Earnings on Investments	58
Other Non-Operating Receipts	71
Total Non-Operating Cash Receipts	28,743
Non-Operating Cash Disbursements:	
Redemption of Principal	103,273
Interest and Other Fiscal Charges	31,329
Capital Outlay	29,536
Total Non-Operating Cash Disbursements	164,138
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	25,197
Advances-In	2,000
Advances-Out	(1,000)
Net Receipts Over/(Under) Disbursements	26,197
Fund Cash Balances, January 1	321,409
Fund Cash Balances, December 31	\$347,606
Reserve for Encumbrances, December 31	\$12,437

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

VILLAGE OF OAK HILL
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$125,033	\$151,771		\$276,804
Intergovernmental Receipts	85,179	122,897		208,076
Charges for Services	1,173	23,775		24,948
Fines, Licenses, and Permits	14,938			14,938
Earnings on Investments	1,181	3,441		4,622
Miscellaneous	15,718	6,773		22,491
Total Cash Receipts	<u>243,222</u>	<u>308,657</u>	<u>\$0</u>	<u>551,879</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	165,219	69,269		234,488
Public Health Services		53,249		53,249
Community Environment		4,440		4,440
Basic Utility Services	10,041			10,041
Transportation		46,856		46,856
General Government	63,740	578		64,318
Capital Outlay		26,611	141,951	168,562
Total Cash Disbursements	<u>239,000</u>	<u>201,003</u>	<u>141,951</u>	<u>581,954</u>
Total Receipts Over/(Under) Disbursements	<u>4,222</u>	<u>107,654</u>	<u>(141,951)</u>	<u>(30,075)</u>
Other Financing Receipts/(Disbursements):				
Proceeds of Loans			141,951	141,951
Advances-In		1,258		1,258
Advances-Out	(1,658)			(1,658)
Total Other Financing Receipts/(Disbursements)	<u>(1,658)</u>	<u>1,258</u>	<u>141,951</u>	<u>141,551</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,564	108,912	0	111,476
Fund Cash Balances, January 1 - Restated (Note 8)	<u>38,596</u>	<u>307,956</u>		<u>346,552</u>
Fund Cash Balances, December 31	<u>\$41,160</u>	<u>\$416,868</u>	<u>\$0</u>	<u>\$458,028</u>
Reserves for Encumbrances, December 31	<u>\$828</u>	<u>\$1,691</u>	<u>\$0</u>	<u>\$2,519</u>

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$761,876
Miscellaneous	62
	761,938
Operating Cash Disbursements:	
Personal Services	133,737
Fringe Benefits	62,488
Contractual Services	148,843
Supplies and Materials	256,112
Other	33,701
	634,881
Total Operating Cash Disbursements	634,881
Operating Income/(Loss)	127,057
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	27,380
Intergovernmental Receipts	3,519
Earnings on Investments	761
Other Non-Operating Receipts	1,345
	1,345
Total Non-Operating Cash Receipts	33,005
Non-Operating Cash Disbursements:	
Capital Outlay	12,360
Redemption of Principal	91,967
Interest and Other Fiscal Charges	30,805
	30,805
Total Non-Operating Cash Disbursements	135,132
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	24,930
Advances-In	400
Net Receipts Over/(Under) Disbursements	25,330
Fund Cash Balances, January 1 - Restated (Note 8)	296,079
Fund Cash Balances, December 31	\$321,409
Reserve for Encumbrances, December 31	\$645

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, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Oak Hill, Jackson County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and trash utilities; park operations; maintenance of roads; and police services. The Village contracts with the Madison-Jefferson Joint Fire District to receive fire protection services.

The Village participates in the Public Entities Pool of Ohio which is a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

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 reports all financial resources except those required to be accounted for in another fund.

VILLAGE OF OAK HILL
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. **Fund Accounting (Continued)**

2. **Special Revenue Funds**

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

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

Cemetery Fund - This fund receives property tax money 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.

3. **Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt. In addition, this fund accounts for the proceeds and expenditure of bond and note debt.

4. **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.

E. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end. Appropriation measures were not filed with the County Auditor for 2006 and 2007.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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. Estimated resources were not prepared for 2006 and 2007.

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. Equity in Pooled Deposits and Investments

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

	2007	2006
Demand deposits	\$626,116	\$667,172
Certificates of deposit	115,860	110,665
Total deposits	741,976	777,837
U.S. Savings Bonds	1,600	1,600
Total deposits and investments	\$743,576	\$779,437

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or 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, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$218,714	\$218,714
Special Revenue	0	308,911	308,911
Debt Service	0	23,600	23,600
Enterprise	0	811,592	811,592
Total	\$0	\$1,362,817	\$1,362,817

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$271,294	(\$271,294)
Special Revenue	0	323,054	(323,054)
Debt Service	0	23,600	(23,600)
Enterprise	0	797,832	(797,832)
Total	\$0	\$1,415,780	(\$1,415,780)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$243,222	\$243,222
Special Revenue	0	309,915	309,915
Debt Service	0	141,951	141,951
Enterprise	0	795,343	795,343
Total	\$0	\$1,490,431	\$1,490,431

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$241,486	(\$241,486)
Special Revenue	0	202,694	(202,694)
Debt Service	0	141,951	(141,951)
Enterprise	0	770,658	(770,658)
Total	\$0	\$1,356,789	(\$1,356,789)

Contrary to Ohio law, the Village Council did not approve appropriations or supplemental appropriations for 2006 and 2007 and file the documents with the County Auditor. In addition, the Village did not have estimated resources for 2006 and 2007. Also contrary to Ohio law, the Village did not encumber all commitments required by Ohio law.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax

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.

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.

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$385,632	2.20%
Ohio Public Works Commission (CT45B)	8,465	0.00%
Ohio Public Works Commission (CO12E)	15,579	0.00%
Ohio Public Works Commission (CO36F)	42,912	0.00%
Ohio Public Works Commission (COO5H)	53,466	0.00%
Oak Hill Banks Loan # 1725201	291,155	5.25%
Oak Hill Banks Loan # 1139601	85,937	3.90%
Oak Hill Banks Loan # 1126601	10,382	3.90%
Oak Hill Banks Loan # 1125601	10,401	3.90%
Milton Banking Company Loan # 7704686	18,682	4.55%
Total	<u>\$922,611</u>	

The Ohio Water Development Authority (OWDA) loan originated in July 1994 and relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,332,278 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$29,871, including interest, over 20 years. The Scheduled payment amount below assumes that \$1,411,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan 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 Village will repay the loan in semiannual installments of \$2,822 over 10 years.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

The Ohio Public Works Commission loan CO12E is an interest-free loan that was obtained for a water system improvements project. The loan originated in 2003 in the amount of \$28,325. The loan is collateralized by the water and sewer receipts. The Village will repay the loan in semiannual installments of \$1,416 over 10 years.

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

The Ohio Public Works Commission loan COO5H 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. The loan is collateralized by the water and sewer receipts. The Village will repay the loan in semiannual installments of \$1,485 over 20 years.

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

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

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

The Oak Hill Bank Loan # 1125601 was obtained in April 2006 in the amount of \$13,912 at 3.90% interest. The loan was for the purpose of purchasing a 2006 Chevrolet Silverado. The loan is collateralized by the vehicle. The Village will repay the loan in monthly installments of \$217 over 6 years.

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

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

Year ending December 31:	OWDA Loan	OPWC Loans	Milton Banks Loan	Oak Hill Bank Loan
2008	\$29,871	\$7,024	\$5,963	\$52,952
2009	59,742	14,047	6,505	57,766
2010	59,742	8,404	6,505	57,766
2011	59,742	8,404	1,084	57,766
2012	59,742	8,404	0	42,238
2013-2026	149,356	74,139	0	249,181
Total	<u>\$418,195</u>	<u>\$120,422</u>	<u>\$20,057</u>	<u>\$517,669</u>

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Retirement Systems

The Village's police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' retirement benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

7. Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Retained earnings	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$31,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

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	
2005	\$32,532
2006	\$29,791
2007	\$26,724

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

Health insurance is provided through Anthem Blue Cross and Blue Shield as part of the Ohio Public Entity Consortium.

8. Restatement of Beginning Balances

The January 1, 2006 balances were restated as follows:

<u>Fund Type</u>	<u>12/31/2005 Balance</u>	<u>Restated 1/1/2006 Balance</u>	<u>Restatement</u>
General	\$28,701	\$38,596	\$9,895
Special Revenue	314,066	307,956	(6,110)
Enterprise	299,864	296,079	(3,785)
Total	<u>\$642,631</u>	<u>\$642,631</u>	<u>\$0</u>

These restatements were due to improper revenue and expenditure postings at December 31, 2005. In addition, a separate fund was not established for the Oak Hill Youth Crime Prevention Federal Subgrant resulting in the grant being reported with the General Fund as of December 31, 2005.

9. Contingent Liabilities

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. Subsequent Events

In September 2008, the Village purchased a Packer Truck in the amount of \$48,959. This item was purchased by obtaining a commercial loan in the amount of \$49,169 from the Milton Banking Company on August 23, 2008 for four years at a rate of 3.5%.

The Village is beginning Phase 3 of the Wastewater System Improvement Project. On April 8, 2008, the Oak Hill Village Council approved an ordinance to enter into an agreement with Jones and Henry Engineers LTD for engineering / technical services related to the Wastewater System Improvement Project with the quote amount of \$37,200. On May 13, 2008, the Village Council approved a resolution authorizing a cooperative agreement for planning of the Oak Hill Wastewater System Improvements Project between the Village and the Ohio Water Development Authority (OWDA) and providing assurance to the OWDA of a source of local funds. On May 29, 2008, OWDA approved a planning loan with the total amount financed of \$37,212.60 at a rate of 5.28% with the first payment due July 1, 2009. The Village has approved a resolution authorizing the mayor to submit an application to participate in the Ohio Public Works Commission (OPWC) State Capital Improvement Program.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of Oak Hill, Jackson County, Ohio (the Village), as of and for the years ended December 21, 2007 and 2006, and have issued our report thereon dated March 17, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Rev. Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Rev. Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We also noted the Village had a negative cash balance in the General Fund. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-010; 2007-012; and 2007-013.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-010, 2007-012 and 2007-013 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated March 17, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-011.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 17, 2009.

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response, and accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 17, 2009

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

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

Ohio Revised Code Section 117.13(C) provides that, at the conclusion of each audit or analysis and report made pursuant to Ohio Revised Code Section 117.24, the Auditor of State shall furnish the fiscal officer of the local public office audited a statement showing the total cost of the audit, or of the audit and the analysis and report, and the percentage of the total cost chargeable to each fund audited. The fiscal officer may distribute such total cost to each fund audited in accordance with its percentage of the total cost. Thereafter, such charges may be prorated proportionately among the various funds of the Village.

The Cemetery Fund (2031) has been established by the Village to maintain the cemetery. The fund receives property tax settlements for operation and maintaining the cemetery and charges for services from the sale of lots and grave openings.

For 2006, we noted the following expenditures made from the Cemetery Fund (2031) which do not relate to the purpose for which the fund was established:

<u>Description</u>	<u>Cemetery Fund (2031)</u>
20% of Clerk/Treasurer's Salary	\$1,833
Uniform Accounting Network (UAN) Fees	1,275
Audit Fees	2,870
Total:	<u><u>\$5,978</u></u>

For 2007, we noted the following expenditures made from the Cemetery Fund (2031) which do not relate to the purpose for which the fund was established:

<u>Description</u>	<u>Cemetery Fund (2031)</u>
20% of Clerk/Treasurer's Salary	\$2,133
Uniform Accounting Network (UAN) Fees	265
Total:	<u><u>\$2,398</u></u>

Adjustments have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records.

We recommend the Village review expenditure postings and allocations to determine and ensure that expenditures are posted to the proper fund in which the purpose of the fund is consistent with the purpose of the disbursement.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002

Noncompliance Citation

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

The Jackson County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of all tangible personal property in the County, including motor vehicles, not subject to the sales tax. The sales tax is allocated fifty percent to the County's General Fund and fifty percent to the Sales Tax Trust Agency Fund, from which the proceeds are distributed to the various taxing districts within the County for use on community improvement projects. The Village of Oak Hill received permissive sales tax payments from the Jackson County Community Improvement Board during 2006 and 2007. These monies are posted to the Permissive Sales Tax Fund (2111).

During 2006, we noted the following expenditures made from the Permissive Sales Tax Fund (2111) which do not represent Community Improvements and represent payments which should be allocated to the Village's Enterprise Funds:

Description	Amount
Principal and interest payments relating to purchase of two 2006 Chevrolet Silverado pickup trucks primarily paid from the Water Operating Fund (5101)	\$175
Total:	\$175

During 2007, we noted the following expenditures made from the Permissive Sales Tax Fund (2111) which do not represent Community Improvements:

Description	Amount
Principal and interest payments relating to purchase of 1996 garbage truck not allocated to the Trash Fund (5601)	\$9,639
Portion of variable frequency drive purchase not allocated to the Sewer Operating Fund (5201)	7,285
Total:	\$16,924

Adjustments have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records.

We recommend the Village review expenditure postings and allocations to determine and ensure that expenditures are posted to the proper fund in which the purpose of the fund is consistent with the purpose of the disbursement.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003

Noncompliance Citation

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

Ohio Revised Code Section 117.13(C) provides that, at the conclusion of each audit or analysis and report made pursuant to Ohio Revised Code Section 117.24, the Auditor of State shall furnish the fiscal officer of the local public office audited a statement showing the total cost of the audit, or of the audit and the analysis and report, and the percentage of the total cost chargeable to each fund audited. The fiscal officer may distribute such total cost to each fund audited in accordance with its percentage of the total cost. Thereafter, such charges may be prorated proportionately among the various funds of the village.

Article XII, Section 5a of the Ohio Constitution states that no moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

The Village receives tax monies from the State Treasury to be used to plan, construct, reconstruct, repave, widen, maintain, repair, clear, and clean public highways, roads, and streets; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to pay the costs apportioned to the municipal corporation; to purchase, erect, and maintain traffic lights and signals; to pay the principal, interest, and charges on bonds and other obligations issued for the purpose of acquiring or constructing roads, highways, bridges, or viaducts or acquiring or making other highway improvements for which the municipal corporation may issue bonds; and to supplement revenue already available for such purposes.

For 2006, we noted the following expenditures made from the Street Construction, Maintenance and Repair Fund (2011) and State Highway Fund (2021) which are unallowable expenditures:

Description	Street Construction, Maintenance, and Repair Fund (2011)	State Highway Fund (2021)
20% of Clerk Treasurer's Salary	\$1,833	
Uniform Accounting Network (UAN) Fees	1,325	
Audit Fees	1,787	
Property Insurance	3,500	
Payments to Caretaker	500	
Pest Control	1,103	
Miscellaneous (Membership Fees, Etc.)	634	\$173
Total:	\$10,682	\$173

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.10 (Continued)

For 2007, we noted the following expenditures made from the Street Construction, Maintenance and Repair Fund (2011) which are unallowable expenditures:

Description	Street Construction, Maintenance, and Repair Fund (2011)
20% of Clerk Treasurer's Salary	\$2,133
Uniform Accounting Network (UAN) Fees	557
Property Insurance	3,140
Payments to Caretaker	600
Pest Control	630
Miscellaneous (Membership Fees, Etc.)	412
Total:	\$7,472

In addition, at September 8, 2006 the General Fund balance was not sufficient to post an adjustment necessary to reimburse Fund 2011 Street Construction, Maintenance and Repair for an unallowable expenditure in 2005. This was for audit fees paid out of this fund in the amount of \$1,200. The expenditure was unadjusted as of December 31, 2005 and was included on the 2005 financial statements in the Special Revenue Fund Type.

Adjustments have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records.

We recommend the Village review expenditure postings and allocations to determine and ensure that expenditures are posted to the proper fund in which the purpose of the fund is consistent with the purpose of the disbursement.

FINDING NUMBER 2007-004

Noncompliance Citation

Article 4, Section 4.3(a) of the Village of Oak Hill's Water Pollution Control Loan Fund Agreement indicates that the Village agrees it will at all times prescribe and charge such rates, after meeting: (1) operation and maintenance expenses therefore, and, (2) if required by the Director pursuant to Ohio Revised Code Section 6111.036, a contribution to the Village's Capital Improvement Fund and, (3) the payment of all amount required by any mortgage, indenture of mortgage, trust indenture or other instrument heretofore or hereafter granted by the Village, or contractual obligations between the Village and the State, payable solely from revenues of the Wastewater Service Charges, as shall result in revenues at least adequate, to provide for the payments required by Section 4.1. hereof minus the amount of such payment provided from other dedicated repayment sources, if any.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-004 (Continued)

**Noncompliance Citation – Water Pollution Control Loan Fund Agreement Article 4, Section 4.3(a)
(Continued)**

The Village made payments totaling \$59,831 for an Ohio Water Development Authority Loan (OWDA) during 2007 and 2006 from the Sewer Enterprise Improvement Fund (5701). The amount paid in 2007 was \$29,871 and the amount paid in 2006 was \$29,960. Although the Sewer Enterprise Improvement Fund (5701) had a sufficient fund balance to incur the expenditure, during 2006 and 2007 the fund received receipts in the form of bank interest and loan proceeds and did not receive revenues for wastewater service charges. The OWDA loan is collateralized by water and sewer receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

This indicated that OWDA debt payments were not being paid from water and sewer receipts. This could result in OWDA debt covenant violations if the proper sources of funds are not being used to make the debt payments. Further, this could result in Sewer Enterprise Improvement Fund (5701) monies being used for unallowable purposes.

Adjustments have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records.

We recommend OWDA debt payments be made only from allowable sources. We further recommend the Village investigate the balance in the Sewer Enterprise Improvement Fund (5701) to determine the source of the funds and allowable uses. We further recommend the Village review expenditure postings and allocations to determine and ensure that expenditures are posted to the proper fund in which the purpose of the fund is consistent with the purpose of the disbursement.

FINDING NUMBER 2007-005

Noncompliance Citation

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

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

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-005 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.09 (Continued)

During our audit, we noted the following:

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

During 2006 and 2007, the Village received a subgrant from the Ohio Office of Criminal Justice Services (OCJS) for which a separate fund was not established. Grant receipts which are received on a reimbursement basis were posted to incorrect funds including the General Fund, Street Construction, Maintenance and Repair Fund and State Highway Fund. This resulted in adjustments to the financial statements to properly reflect the subgrant activity as a special revenue fund. Failure to establish a separate fund for the OCJS subgrant could result in noncompliance with Federal subgrant conditions and an inability to track and monitor the activity of the grant. Adjustments have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records.

Permissive Motor Vehicle License Tax

During 2006 and 2007, the Village received Permissive Motor Vehicle License Tax monies from the Ohio Department of Public Safety. These monies were posted to the Street Construction, Maintenance and Repair Special Revenue Fund (2011). These monies should be posted to the Permissive Motor Vehicle License Tax Special Revenue Fund (2101) which the Village has not established. Failure to establish a Permissive Motor Vehicle License Tax Special Revenue Fund (2101) and post permissive tax receipts to that fund could result in an inability to track how the funds are utilized and could result in the funds being used for unallowable purposes.

Debt Service Fund

During 2006 and 2007, Village incurred several debt issuances in which the proceeds and expenditures were posted directly to Village funds instead of the activity being posted to a debt service fund. In addition, the Village made payments on several outstanding issuances in which the payment activity was posted to several difference funds without being transferred to a debt service fund prior to making payments. Absent a specific requirement, debt may be paid from any unrestricted money held from a fund which was established for a purpose that is not inconsistent with the payment of the debt.

However, due to the Village having numerous debt issuances, failure to establish a debt service fund for tracking payments and receipts resulted in the following:

- Debt proceeds being posted to one fund whereas the disbursement of the proceeds was made from another fund.
- Reclassification of expenditures to properly reflect principal and interest payments.
- Reclassification of receipts and expenditures to properly reflect proceeds and use of proceeds.
- Principal and interest payments were not consistently posted to the funds.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.09 (Continued)

Adjustments and reclassifications have been posted to the 2006 and 2007 financial statements to properly reflect principal and interest payments and establish a debt service fund to reflect proceeds and uses of debt. Adjustments have been posted to the Village's accounting records to correct for debt proceeds being posted to one fund whereas the disbursement of the proceeds was made from another fund.

We recommend the Village review Ohio Revised Code requirements for establishing funds and establish the required funds. These funds include, but are not limited to, a Debt Service Fund, Oak Hill Youth Crime Prevention Federal Subgrant Fund, and a Permissive Motor Vehicle License Tax Fund.

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require payment within the current or succeeding year and cash advances are subject to the following requirements, as outlined in Auditor of State Bulletin 97-003:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the Commissioner of Tax Equalization and of the Court of Common Pleas (See ORC 5705.14, 5705.15, and 5705.16);
- The transfer should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-006 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.10 (Continued)

We noted the following items during our testing of cash advances:

During 2006 and 2007, advances of cash were made which were not approved by a formal resolution of the Village Council.

During 2006, an advance was made from the Cemetery Trust Fund to the Cemetery Fund in the amount of \$5,000 which was not repaid. An adjustment has been posted to the financial statements as well as the Village's accounting records to move the \$5,000 from the Cemetery Fund to the Cemetery Trust Fund.

Further during 2006, advances totaling \$1,657.57 were made from the General Fund to the following funds which were not repaid during the audit period: \$1,057.57-Cemetery Fund (2031); \$200.00-Street Light Fund (2902); and \$400.00-Enterprise Trash Fund (5601). Also, during 2007, an advance in the amount of \$1,000.00 was made from the General Fund to the Swimming Pool Fund which was not repaid.

During 2006, \$11,705.26 was advanced from the Permissive Sales Tax Fund to the General Fund and \$2,000.00 was advanced from the Street Construction, Maintenance and Repair Fund to the General Fund. During 2007, \$500.00 was advanced from the Permissive Sales Tax Fund to the General Fund. There was no evidence that the creditor funds' purpose for these advances were consistent with the debtor funds' purposes. As a result of the lack of statutory authority for making these advances, these amounts have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records.

We recommend the Village Clerk/Treasurer review Ohio Compliance Supplement Sections 1-24 Transfer of Funds, 1-25 Advances, and Auditor of State Bulletin 2007-003 regarding advances to ensure future advances and transfers of monies are made in accordance with legislative requirements and requirements outlined in the bulletin.

In addition, we recommend that all transfers and advances be approved by a formal resolution of the Village Council and recorded in the minute record. We further recommend the Village review unpaid advances and determine whether items should be converted to transfers. If it is determined items should be converted to a transfer, we recommend the conversion be made in accordance with requirements of Auditor of State Bulletin 2007-003.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-007

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units shall certify to the County Auditor that total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The Village Clerk/Treasurer did not file the certificate showing total amounts from all sources available for expenditures and the balances existing at the end of the preceding year to the County Auditor for 2006 and 2007. We further noted the Village Clerk/Treasurer could not produce information regarding the Official and Amended Official Certificates of Estimated Resources.

We recommend the Village Clerk/Treasurer certify the total amounts from all sources available for expenditures and the balances existing at the end of the preceding year to the County Auditor on or about the first day of each fiscal year. We further recommend the information be obtained and kept on file for the Official and Amended Official Certificates of Estimated Resources.

FINDING NUMBER 2007-008

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village Council passed a temporary budget January 25, 2006. A permanent budget/appropriation was passed on April 4, 2006. Although a budget was approved in the minutes, it could not be produced by the Village Clerk/Treasurer and was not on file with the County Auditor to support the existence of an appropriation measure and the amounts that were posted to the system.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-008 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.38(A) (Continued)

Although amounts for appropriations were posted to the system for 2007, an appropriation measure was not approved by the Village Council and was not filed with the County Auditor.

Failure to approve a permanent appropriations measure could result in overspending and deficit cash balances due to the Village Clerk/Treasurer and Village Council not having the legislatively established measure to control expenditures.

We recommend the Village Council adopt an appropriation measure on or about the first day of each fiscal year and file the measure with the County Auditor.

FINDING NUMBER 2007-009

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

In 2006 and 2007, there were no approved appropriations on file, thus all expenditures from all funds exceeded appropriations. This could result in overspending and negative fund balances due to the Village Clerk/Treasurer and Village Council not having the legislatively established measure to control expenditures.

We recommend the Village Council adopt appropriations and file them with the County Auditor annually. We further recommend the Village Council monitor financial activity to ensure their expenditures do not exceed the amount appropriated and the amount appropriated does not exceed the amount of resources available.

FINDING NUMBER 2007-010

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(C) states that expenditures may only be made by a proper warrant drawn against an appropriate fund. A separate fund must be set up for each utility, and expenditures must relate only to that utility.

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The compensation of employees and officers is a matter of local self-government. The Village Council approved Village Ordinance 2005-003 effective January 1, 2005 indicating the salary for the position of Clerk shall be \$10,000 per year to be paid from accounts specified by Council. Further, on October 23, 2007 the Village Council approved a pay increase of \$4,000 for the Clerk effective November 1, 2007 and did not indicate the accounts from which to be paid. Expenditures for compensation may be considered unallowable or not for a proper public purpose if an employee's job duties are completely unrelated to the fund that issued payment for the compensation.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-010 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.41(C) (Continued)

During 2006 and 2007, the Clerk/Treasurer's salary was allocated among the following funds:

Year	General Fund (1000)	Street Constr. Maint. and Repair Fund (2011)	Cemetery Fund (2031)	Water Operating Fund (5101)	Sewer Operating Fund (5201)	Trash Operating Fund (5601)	Total:
2006		\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$9,165
2007		2,133	2,133	2,133	2,133	2,133	10,665
Total:	<u>\$0</u>	<u>\$3,966</u>	<u>\$3,966</u>	<u>\$3,966</u>	<u>\$3,966</u>	<u>\$3,966</u>	<u>\$19,830</u>

Further, the entire employer portion of Ohio Public Employee Retirement System payment was made from the Water Operating (5101) Fund which totaled \$1,477.

These allocations indicate that sixty percent of the Clerk/Treasurer's salary is being paid from the Village's Enterprise Funds and no amount is being paid from the General Fund for the Clerk/Treasurer's salary. Further, adjustments have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records in regards to payments made from the Street Construction, Maintenance, and Repair Fund (2011) which receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village Streets and payments made from the Cemetery Fund (231) which receives property tax money to maintain the Village's cemetery (see Finding Numbers 2007-001 and 2007-003). The Village's Enterprise Funds receive charges for services from residents to cover costs. Further, charges for services relating to the water operating and sewer operating receipts collateralize the Village's Ohio Water Development Authority Loan and Ohio Public Works Commission loans. Since the Ordinance did not indicate the amounts by fund, this could result in an inability to determine the funds authorized by the Village Council for the payment of the Village Clerk/Treasurer's salary.

While reviewing audit fees paid during 2006, we noted that fees were allocated in the following amounts to the following funds:

Fund	Amount	Percentage
General (1000)	\$1,615	9%
Street Construction (2011)	1,787	10%
Cemetery (2031)	2,870	16%
Water Operating (5101)	2,459	14%
Sewer Operating (5201)	6,359	36%
Trash Operating (5601)	2,665	15%
Total:	<u>\$17,755</u>	<u>100%</u>

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-010 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.41(C) (Continued)

These allocations indicate that sixty-five percent of the audit costs were allocated to the Village's Enterprise Funds. Further, adjustments have been posted to the 2006 and 2007 financial statements and the Village's accounting records in regards to payments made from the Street Construction, Maintenance, and Repair Fund (2011) which receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village Streets and payments made from the Cemetery Fund (2031) which receives property tax money to maintain the Village's cemetery (see Finding Numbers 2007-001 and 2007-003).

While reviewing Uniform Accounting Network (UAN) fees paid during 2006, we noted that fees were allocated in the following amounts to the following funds:

Fund	Amount	Percentage
General (1000)	\$1,171	16%
Street Construction (2011)	1,325	18%
Cemetery (2031)	1,275	17%
Water Operating (5101)	1,202	16%
Sewer Operating (5201)	1,247	17%
Trash Operating (5601)	1,128	16%
Total:	<u>\$7,348</u>	<u>100%</u>

While reviewing Uniform Accounting Network (UAN) fees paid during 2007, we noted that fees were allocated in the following amounts to the following funds:

Fund	Amount	Percentage
General (1000)	\$655	20%
Street Construction (2011)	527	17%
Cemetery (2031)	265	8%
Water Operating (5101)	689	21%
Sewer Operating (5201)	556	17%
Trash Operating (5601)	557	17%
Total:	<u>\$3,249</u>	<u>100%</u>

These allocations indicate that forty-nine percent of the UAN fees for 2006 and fifty-five percent of the UAN fees for 2007 were allocated to the Village's Enterprise Funds. Further, adjustments have been posted to the 2006 and 2007 financial statements and the Village's accounting records in regards to payments made from the Street Construction, Maintenance, and Repair Fund (2011) which receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village Streets and payments made from the Cemetery Fund (2031) which receives property tax money to maintain the Village's cemetery (see Finding Numbers 2007-001 and 2007-003).

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-010 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.41(C) (Continued)

We recommend the Village Council review salary ordinances and allowable uses of funds to develop a salary ordinance which indicates the amount to be paid to the Village Clerk/Treasurer, the funds from which the salary amount will be paid and the amount to be allocated to each fund. We further recommend the Village Council review all funds and expenditures and determine allowable expenditures for each fund to ensure expenditures are being properly allocated among funds and are made for allowable purposes based on the restriction of fund monies.

FINDING NUMBER 2007-011

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-011 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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 expense. 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 it was noted that 85% of transactions tested were not certified by the Village Clerk/Treasurer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village Clerk/Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend that no orders involving the expenditure of money be made unless the Village Clerk/Treasurer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

FINDING NUMBER 2007-012

Material Weakness

When designing the Village's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

The Village Clerk/Treasurer reconciled the book balance to the bank balance each month; however, these reconciliations were not accurate. The reconciliations contained numerous "other adjusting factors" without cause for the adjustment. In addition to miscellaneous typographical errors we noted the following reconciliation errors:

- Bank charges were not posted to the books in 2006 (\$64) and 2007 (\$141)
- Monthly interest revenue in many instances was not posted to the books during 2006 (\$319) and 2007 (\$364)
- A receipt in the gross amount of \$5,021.30 (Net amount of \$4,971.09) was posted twice to the books
- Investment interest from Certificates of Deposit was not properly or consistently posted to the books. For 2006, Cemetery Fund (2031) interest in the amount of \$7,050 was not posted and General Fund (1000) interest was posted an excess amount of \$2,851. For 2007, Cemetery Fund (2031) interest in the amount of \$5,195 was not posted.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-012 (Continued)

Material Weakness – Monthly Reconciliations (Continued)

- Direct deposit amounts were received but were not posted to the books in the following amounts: \$163.49; \$1,880.57; \$3,145.66; \$38.75; \$58.16; \$233.66; \$94.40; and \$233.66.
- Numerous immaterial differences between amounts posted to books and amounts clearing the bank statement for both receipts and disbursements.
- Numerous instances were noted in which receipt amounts were received per the bank statement but were not posted until the following or later months.
- A deposit in April 2007 in the amount of \$300 was not posted to the books and a deposit in July 2007 in the amount of \$346 was not posted to the books.

An “other adjusting factors” amount was entered into the system each month to appear to be in balance with the bank. However, the Village was not in balance with the bank during the majority of the audit period. This resulted in several errors going undetected and inaccurate fund balances. Adjustments have been posted to the 2006 and 2007 financial statements and to the Village’s accounting records to correct the posting errors.

We recommend the Village Clerk/Treasurer perform monthly reconciliations using only actual outstanding checks and deposits in transit and investigate differences and discrepancies. If there are “other adjusting factors”, the Village Clerk/Treasurer should maintain supporting documentation for those amounts and correct for the amounts instead of allowing amounts to carry forward. Council should review these reconciliations and inquire about “other adjusting factors” when appropriate.

FINDING NUMBER 2007-013

Material Weakness

Sound financial reporting is the responsibility of the Village Clerk/Treasurer 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 and expenditures should be posted to the proper fund and account code.

During our testing, we noted the following items:

- Street Light Fund (2902) monies from tax settlements were improperly posted to the Fire Fund (2901).
- Intergovernmental Revenues were incorrectly posted as tax revenues.
- Federal subgrant monies were improperly posted to the General Fund (1000), Street Construction, Maintenance and Repair Fund (2011), and State Highway Fund (2021).
- Permissive tax monies were posted to the Fire Fund (2901).
- State permissive motor vehicle license tax monies were posted to the Street Construction, Maintenance and Repair Fund (2011) instead of the Permissive Motor Vehicle License Tax Fund (2101).
- Numerous instances in which receipts and disbursements were not posted to the proper line items.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-013 (Continued)

Material Weakness – Financial Reporting (Continued)

- Water Fund (5101) charges for services receipt was posted to the General Fund (1000) as tax revenues.
- Instances were noted in which amounts were received for Street Construction Maintenance and Repair Fund (2011) and State Highway Fund (2021) but were not posted to the financial statements.
- Instances were noted in which receipts were received from the State for rollback reimbursement which were not posted to the financial statements.
- Proceeds of debt were classified as other revenues and other financing sources.
- Items were posted as transfers which did not represent transfer of funds.
- Debt payments were not properly recorded to interest and principal expenditures.
- Several instances were noted in which expenditures were not properly classified.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- The Cemetery Trust Fund was classified as a permanent fund type instead of a special revenue fund type.
- Beginning balances were inaccurate as a result of expenditures being posted in 2005 which should have been recorded in 2006.
- A debt service fund was not established by the Village to account for debt proceeds and expenditure of those proceeds. In one instance, proceeds were posted to one fund and expenditure was made from other funds.
- A special revenue fund was not established to account for a grant received from the Office of Criminal Justice Services.
- Intergovernmental Receipts were improperly classified as taxes in the General Fund (1000), Cemetery Fund (2031), Fire Fund (2901), Street Light Fund (2902), and Swimming Pool Fund (5501).
- Permissive Tax Fund (2111) monies in the amount of \$5,539 were improperly posted to the Fire Fund (2901).
- 2006 Receipts in the amount of \$11,223 were posted to the Fire Fund (2901) which should have been posted to the Street Light Fund (2902)
- Adjustments were posted to the 2006 and 2007 financial statements as well as the Village's accounting records for unallowable advances noted during testing in the total amount of \$18,705 for 2006 and \$500 for 2007.
- Direct expenditures were improperly posted to transfer out line item in the amount of \$8,150.
- Principal and Interest amounts relating to loans were not properly classified as principal and interest line items.
- Several instances in which receipts and disbursements belonging to one fund were posted to an incorrect fund.
- Several instances of deductions relating to tax settlements were posted to the wrong fund.
- Numerous reclassifications for revenues and expenditures posted to improper line items.
- Bank charges were not posted to the books in 2006 and 2007.
- Monthly interest revenue in many instances was not posted to the books.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-013 (Continued)

Material Weakness – Financial Reporting (Continued)

- A receipt in the gross amount of \$5,021.30 (net amount of \$4,971.09) was posted twice to the books.
- Investment interest from certificates of deposit was not properly or consistently posted to the books.
- Direct deposit amounts were received but were not posted to the books in the following amounts: \$163.49; \$1,880.57; \$3,145.66; \$38.75; \$58.16; \$233.66; \$94.40; and \$233.66.
- A deposit in April 2007 in the amount of \$300 was not posted to the books and a deposit in July 2007 in the amount of \$346 was not posted to the books.
- A Finding for Adjustment in the amount of \$1,200 against the General Fund and in favor of the Street Construction, Maintenance and Repair Fund was uncorrected from the prior audit (see 2007-003).
- During 2006, unallowable expenditures were posted to the Street Construction, Maintenance and Repair Fund (\$10,682) and the State Highway Fund (\$173) (see 2007-003).
- During 2007, unallowable expenditures were posted to the Street Construction, Maintenance and Repair Fund (\$7,472). (see 2007-003).
- OWDA Loan payments totaling \$59,831 (2006-\$29,871; 2007-\$29,960) were posted to the Enterprise Improvement Fund (5701) which should have been posted to the Sewer Operating Fund (5201) (see 2007-004).
- Unallowable expenditures consisting of audit fees, Clerk/Treasurer's Salary and Uniform Accounting Network Fees were posted to the Cemetery Fund (2031) in the amount of \$8,376 (2006-\$5,978; 2007-\$2,398) (see 2007-001).
- Unallowable expenditures were posted to the Permissive Sales Tax Fund (2111) which should have been posted to the Village's Enterprise Funds totaling \$17,099 (2006-\$175; 2007-\$16,924) (see 2007-002).

Adjustments and reclassification entries were required for 2006 and 2007 to properly classify revenues and expenditures. Improper posting of Village receipts and expenditures could result in material misstatement to the financial statements. Adjustments have been posted to the 2006 and 2007 financial statements as well as the Village's accounting records.

To ensure the Village's financial statements and notes to the statements are complete and accurate, we recommend the Village adopt policies and procedures, including a final review of the statements and notes by the Village Clerk/Treasurer and Village Council, to identify and correct errors and omissions. We recommend the Village Clerk/Treasurer use due care while posting revenues and expenditures so that amounts are posted to the proper fund and revenue and / or expenditure classification codes.

Officials' Response:

The Auditor of State's Office has discussed these findings with the Village Clerk/Treasurer. The Oak Hill Village Clerk/Treasurer will strive to keep these findings in mind and correct procedures accordingly before the next audit.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ordinance 2003-06 established to provide fees to the General Fund for services performed by the police department for the Village cemetery, water, and sewer departments.	Yes	
2005-002	Finding for adjustment regarding advances.	No	Not Corrected: Revised in the Schedule of Findings as Finding Numbers 2007-003 and 2007-006.
2005-003	Finding for Recovery repaid under audit relating to mayor's court fines.	Yes	
2005-004	Ohio Rev. Code Section 5705.41(D)(1) regarding funds not being certified as available prior to purchase commitment being made.	No	Not Corrected: Reissued in the Schedule of Findings as Finding Number 2007-011.
2005-005	Ohio Rev. Code Section 5705.41(B) regarding expenditures exceeding appropriations.	No	Not Corrected: Reissued in the Schedule of Findings as Finding Number 2007-009.
2005-006	Monthly reconciliations not performed.	No	Not Corrected: Reissued in the Schedule of Findings as Finding Number 2007-012.



Mary Taylor, CPA
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
APRIL 7, 2009