



**Auditor of State
Betty Montgomery**

VILLAGE OF OCTA
FAYETTE COUNTY

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**Auditor of State
Betty Montgomery**

Village of Octa
Fayette County
8027 Allen St
P.O. Box 63
Milledgeville, Ohio 43142

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 a February 2, 2005 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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

November 30, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Octa
Fayette County
8027 Allen St
P.O. Box 63
Milledgeville, Ohio 43142

To the Village Council:

We have audited the accompanying financial statements of the Village of Octa, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

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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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position 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 Octa, Fayette County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, 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.



Betty Montgomery
Auditor of State

November 30, 2006

VILLAGE OF OCTA
FAYETTE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$39,526	\$0	\$0	\$0	\$39,526
Municipal Income Tax	38,788	0	0	0	38,788
Intergovernmental	5,002	12,204	0	0	17,206
Fines, Licenses and Permits	300	0	0	0	300
Earnings on Investments	432	44	0	0	476
Miscellaneous	1,433	3,248	0	0	4,681
Total Cash Receipts	85,481	15,496	0	0	100,977
Cash Disbursements:					
Current:					
Security of Persons and Property	3,837	0	0	0	3,837
Public Health Services	369	0	0	0	369
Leisure Time Activities	600	1,631	0	0	2,231
Basic Utility Services	2,000	0	0	0	2,000
Transportation	2,710	37	0	0	2,747
General Government	67,609	1,541	0	0	69,150
Capital Outlay	2,850	10,189	0	0	13,039
Total Cash Disbursements	79,975	13,398	0	0	93,373
Total Receipts Over/(Under) Disbursements	5,506	2,098	0	0	7,604
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	150	0	0	0	150
Transfers-In	0	233	0	0	233
Transfers-Out	(233)	0	0	0	(233)
Total Other Financing Receipts/(Disbursements)	(83)	233	0	0	150
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements And Other Financing Disbursements	5,423	2,331	0	0	7,754
Fund Cash Balance, January 1	9,560	7,447	9	115	17,131
Fund Cash Balance, December 31	\$14,983	\$9,778	\$9	\$115	\$24,885
Reserve for Encumbrances, December 31	\$0	\$5,013	\$0	\$0	\$5,013

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

VILLAGE OF OCTA
FAYETTE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$38,257	\$0	\$0	\$0	\$38,257
Municipal Income Tax	37,443	0	0	0	37,443
Intergovernmental	3,074	8,026	0	0	11,100
Fines, Licenses and Permits	852	0	0	0	852
Earnings on Investments	539	33	0	0	572
Miscellaneous	5,790	3,505	0	0	9,295
Total Cash Receipts	85,955	11,564	0	0	97,519
Cash Disbursements:					
Current:					
Security of Persons and Property	3,837	0	0	0	3,837
Public Health Services	395	0	0	0	395
Leisure Time Activities	744	1,836	0	0	2,580
Community Environment	587	0	0	0	587
Basic Utility Services	1,866	0	0	0	1,866
Transportation	3,568	625	0	0	4,193
General Government	69,711	1,890	0	0	71,601
Capital Outlay	0	15,904	0	0	15,904
Debt Service:					
Redemption of Principal	2,343	0	0	0	2,343
Interest and Other Fiscal Charges	164	0	0	0	164
Total Cash Disbursements	83,215	20,255	0	0	103,470
Total Receipts Over/(Under) Disbursements	2,740	(8,691)	0	0	(5,951)
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	3,000	0	0	0	3,000
Transfers-In	0	233	0	0	233
Transfers-Out	(233)	0	0	0	(233)
Total Other Financing Receipts/(Disbursements)	2,767	233	0	0	3,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	5,507	(8,458)	0	0	(2,951)
Fund Cash Balance, January 1	4,053	15,905	9	115	20,082
Fund Cash Balance, December 31	\$9,560	\$7,447	\$9	\$115	\$17,131
Reserve for Encumbrances, December 31	\$1,303	\$5,056	\$0	\$0	\$6,359

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

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Octa, Fayette County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides park operations and street maintenance. The Village contracts with the Fayette County Sheriff's department to provide security of persons and property. The Village contracts with Jefferson Township, Fayette County to receive 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Deposits

The Village invests all available funds of the Village in an interest bearing checking account with a local bank.

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.

2. Special Revenue Funds

These funds 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 Fund:

Parks and Recreation Fund - This fund receives donations and grants for the improvement and maintenance of the Village Park.

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village has the one debt service fund with no activity during the audit period.

4. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

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. 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.

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 2005 and 2004 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.

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$24,885	\$17,131

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,594	\$85,631	\$1,037
Special Revenue	15,202	15,729	527
Total	\$99,796	\$101,360	\$1,564

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,381	\$80,208	\$12,173
Special Revenue	21,812	18,411	3,401
Total	\$114,193	\$98,619	\$15,574

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,306	\$88,955	\$3,649
Special Revenue	11,941	11,797	(144)
Total	\$97,247	\$100,752	\$3,505

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,358	\$84,751	\$4,607
Special Revenue	27,524	25,311	2,213
Total	\$116,882	\$110,062	\$6,820

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. RELATED PARTY TRANSACTIONS

The Mayor is the owner of Ison Construction. The Village awarded a contract for Modular Building Site Preparation and Modular Buildings Transport to Ison Construction on August 11, 2003. During 2004 and 2005, the Village paid \$8,000 toward this contract. At December 31, 2005, the Village is obligated to pay the remaining \$5,000 upon completion of the project.

During 2005, Council Member Bobby Newton mowed for the Village for 50 hours at \$10/hr for a total of \$500.

9. SUBSEQUENT EVENTS

On July 7, 2006 the Village purchased a Truck for \$24,170 using a loan from Merchant's National Bank for \$17,170. This loan is payable over five years at \$2,047 each year.

The Village received a Tourism Assistance Grant in the amount of \$11,500 in April 2006.

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Auditor of State Betty Montgomery

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

Village of Octa
Fayette County
8027 Allen St
P.O. Box 63
Milledgeville, Ohio 43142

To the Village Council:

We have audited the financial statements of the Village of Octa, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 30, 2006, 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 that 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. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated November 30, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated November 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Village of Octa
Fayette County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 30, 2006



**Auditor of State
Betty Montgomery**

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VILLAGE OF OCTA

FAYETTE 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
DECEMBER 12, 2006**