

Village of Octa

Fayette County

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009

CAUDILL & ASSOCIATES, CPA'S

725 5TH Street

Portsmouth, OH 45662



Dave Yost • Auditor of State

Village Council
Village of Octa
P.O. Box 63
Milledgeville, Ohio 43132

We have reviewed the *Independent Auditor's Report* of the Village of Octa, Fayette County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid

Village of Octa Ordinance 2006-007 sets Village Council's compensation to be \$1,200 per year payable in a monthly amount to be determined by Council in their January meeting each year, but not to exceed \$1,200 per year. The Ordinance also provides that for compensation of Councilpersons who only serve part of a year shall be prorated for the time served based on a monthly rate of \$100 per month.

Ms. Carla Lofino served on Village Council in 2008 for a period of ten months from January 1, 2008 until October 14, 2008. Per the Village's salary notice she would be compensated for ten months at \$100 per month for a total of \$1,000. Per a review of the Village financial records Ms. Lofino was paid \$1,100 in 2008 resulting in an overpayment of \$100. On December 11, 2008 warrant number 5712 was issued to Carla Lofino. This payment resulted in Carla Lofino being overpaid \$100.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Carla Lofino, former Village Council member in the amount of \$100, and in favor of the Village of Octa's General fund for \$100.

On April 13, 2011 Carla Lofino paid the Village of Octa \$100 via a money order which was deposited by the Village and receipted to the General fund for repayment of this finding.

Finding for Recovery Repaid

Village of Octa Ordinance 2006-007 sets Village Council's compensation to be \$1,200 per year payable in a monthly amount to be determined by Council at the January meeting. The total amount however, was not to exceed \$1,200 per year. The Ordinance also provides that the compensation of Councilpersons who only serve part of a year shall be prorated for the time served based on a monthly rate of \$100 per month.

Ms. Angela Craig served on Village Council in 2009 for a period of eight months from January 1, 2009 until August 11, 2009. Per the Village's salary notice she would be compensated for eight months at \$100 per month for a total of \$800. Per a review of the Village financial records Ms. Craig was paid \$900 in 2009 resulting in an overpayment of \$100. On December 13, 2009 warrant number 6207 was issued to Angela Craig. This payment resulted in Angela Craig being overpaid \$100.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Angela Craig, former Village Council member in the amount of \$100, and in favor of the Village of Octa's General fund for \$100.

On May 4, 2011 Penny Johnson, Village Fiscal officer, paid the Village of Octa \$100 via check number 6314 which was deposited by the Village and receipted to the General fund for repayment of this finding.

Finding for Recovery Repaid

Village of Octa Ordinance 2006-007 sets Village Council's compensation to be \$1,200 per year payable in a monthly amount to be determined by Council at the January meeting. The total amount, however, was not to exceed \$1,200 per year. The Ordinance also provides that the compensation of Councilpersons who only serve part of a year shall be prorated for the time served based on a monthly rate of \$100 per month.

Ms. Teresa Hendricks served on Village Council in 2009 for the whole year from January 1, 2009 until December 31, 2009. Per the Village's salary notice, she would be compensated a monthly amount not to exceed \$1200 per year. . Per a review of the Village financial records Ms. Hendricks was paid \$1,300 in 2009, resulting in an overpayment of \$100. On December 13, 2009 warrant number 6193 was issued to Teresa Hendricks, This payment resulted in Teresa Hendricks being overpaid \$100.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Teresa Hendricks, Village Councilperson in the amount of \$100, and in favor of the Village of Octa's General fund for \$100.

On April 13, 2011 Teresa Hendricks paid the Village of Octa \$100 via personal check number 3825 which was deposited by the Village and receipted to the General fund for repayment of this finding.

Finding for Recovery Repaid

Village of Octa Ordinance 2006-007 sets Village Council's compensation to be \$1,200 per year payable in a monthly amount to be determined by Council at the January meeting. The total amount, however, was not to exceed \$1,200 per year. The Ordinance also provides that the compensation of Councilpersons who only serve part of a year shall be prorated for the time served based on a monthly rate of \$100 per month.

Mr. Jon Kevin May served on Village Council in 2009 for the whole year from January 1, 2009 until December 31, 2009. Per the Village's salary notice he would be compensated a monthly amount but not to exceed \$1,200 per year. Per a review of the Village financial records Mr. May was paid \$1,400 in 2009 resulting in an overpayment of \$200. On December 13, 2009 warrant number 6190 was issued to Jon Kevin May for \$600 and warrant number 6200 was issued for \$100. These payments resulted in John Kevin May being overpaid the \$200.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jon Kevin May, Village Council member in the amount of \$200, and in favor of the Village of Octa's General fund for \$200.

Upon notification of this overpayment during the 2008-2009 audit, the Village Fiscal Officer recovered \$100 by withholding this amount via a payroll deduction from his payroll check in December 2010. An unpaid balance of \$100 remained due the Village.

On May 4, 2011, Penny Johnson, Village Fiscal officer, paid the Village of Octa \$100 via check number 6314 which was deposited by the Village and receipted to the General fund for repayment of this finding.

Finding for Recovery Repaid

Village of Octa Ordinance 2006-007 sets Village Council's compensation to be \$1,200 per year payable in a monthly amount to be determined by Council at the January meeting. The total amount however, was not to exceed \$1,200 per year. The Ordinance also provides that the compensation of Councilpersons who only serve part of a year shall be prorated for the time served based on a monthly rate of \$100 per month.

Mr. Bobby Newton served on Village Council in 2009 for the whole year from January 1, 2009 until December 31, 2009. Per the Village's salary notice he would be compensated for twelve months at \$100 per month for a total of \$1,200. Per a review of the Village financial records Mr. Newton was paid \$1,400 in 2009 resulting in an overpayment of \$200. On December 13, 2009 warrant number 6191 was issued to Bobby Newton This payment resulted in Bobby Newton being overpaid the \$200.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Bobby Newton, Village Council member in the amount of \$200, and in favor of the Village of Octa's General fund for \$200.

Upon notification of this overpayment during the 2008-2009 audit, the Village Fiscal Officer recovered \$150 by withholding this amount via a payroll deduction from his payroll check in December 2010. An unpaid balance of \$50 remained due the Village.

On April 19, 2011 Bobby Newton paid the Village of Octa \$50 via personal check number 1201 which was deposited by the Village and receipted to the General fund for repayment of this finding.

Finding for Recovery Partially Repaid

Village of Octa Ordinance 2006-007 sets Village Council's compensation to be \$1,200 per year payable in a monthly amount to be determined by Council at the January meeting. The total amount however, was not to exceed \$1,200 per year. The Ordinance also provides that the compensation of Councilpersons who only serve part of a year shall be prorated for the time served based on a monthly rate of \$100 per month.

Mr. Michael Turner served on Village Council in 2009 for the whole year from January 1, 2009 until December 31, 2009. Per the Village's salary notice he would be compensated for twelve months at \$100 per month for a total of \$1,200. Per a review of the Village financial records Mr. Turner was paid \$1,400 in 2009 resulting in an overpayment of \$200. On December 13, 2009 warrant number 6202 was issued to Michael Turner, this payment resulted in Michael Turner being overpaid the \$200.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Turner, Village Council member in the amount of \$200, and in favor of the Village of Octa's General fund for \$200.

Upon notification of the overpayment during the 2008-2009 audit, the Village Fiscal Officer recovered \$150 by withholding this amount via a payroll deduction from his payroll check in December 2010. An unpaid balance of \$50 is currently due the Village.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Village Fiscal Officer, Penny Johnson, signed warrant number 620 which resulted in the overpayment. Therefore, Penny Johnson, and her bonding company, Travelers Casualty and Surety Company of America, are jointly and severally liable in the amount of \$50 in favor of the Village of Octa's General fund, to the extent that recovery is not obtained from Mr. Turner.

Official Response:

The Village intends on obtaining repayment of this amount via withholding the \$50 from Mr. Turner's 2011 council pay.

Noncompliance:

Ohio Rev. Code, Section 2921.42(A)(1), provides that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code, Section 2921.42(A)(4), provides that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

Ohio Rev. Code, Section 102.03(D), provides that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

The following issues were noted during 2008 and 2009:

- During 2008, Robert Ison was the Mayor of the Village. Mr. Ison also owned Ison Construction with which the Village had transacted business. On March 19, 2008, the Village paid \$2,000 on warrant # 5391 to Ison Construction. It was noted that this payment was the final draw for transporting a modular building. It was further noted, per discussion with current elected officials, that this service was indeed provided to the Village.
- During 2008 and up until June 30, 2009, the Village also paid Robert Ison, Village Mayor, on several occasions for labor to rebuild the band stand and drill holes, fog the Village for mosquitoes, sharpen chainsaws, deliver wood, excavate ball diamonds and to rough grade and blacktop around the park and ball fields. These payments were in addition to his compensation as Mayor and totaled \$5,915 in 2008 and \$8,400 in 2009. It was noted, per discussions with current elected officials, that these payments were for services provided to the Village. This resulted in the Village compensating the Mayor for additional work performed outside of his official salary.
- During 2008 and 2009, the Village paid Angela Craig, Village Council Member, an amount in addition to her official salary. Per review of the Village's documents, it was noted she was paid for assisting in filing documents in the fiscal officer's absence and paid for mowing ball fields at the Village. These payments were in addition to her compensation as Village Council Member. Payments made to Ms. Craig totaled \$167 in 2008 and \$495 in 2009 and were paid via a payroll check. It was also noted that in 2009 Angela Craig was compensated on nonpayroll checks for mowing. It was further noted per discussions with current elected officials that these payments were for services that were provided to the Village. This resulted in the Village compensating a Village Council Member for additional work outside of her official salary.

- During 2009, the Village paid Sherry Newton, Village Council member at the time, an amount in addition to her official salary. Per review of the Village's documents, it was noted that on March 28, 2009 warrant # 5850 was issued to Sherry Newton for \$50 with a notation that payment was for cleaning of Council house. It was further noted, per discussions with current elected officials, that these payments were for services provided to the Village. This resulted in the Village compensating a Village Council member for additional work performed outside of her official salary.

We recommend the Village, with the assistance of its legal counsel, develop a conflict of interest policy and require its employees and elected officials to sign an annual statement stating he/she has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and disclose affiliations which may represent a potential conflict of interest. Designated Village management should review these statements to help reduce the likelihood of conflicts of interest or undisclosed related party transactions.

This matter will be referred to the Ohio Ethics Commission.

Official Response:

The Village officials attended ethics training and officials are no longer being paid for outside services, other than their salary.

Noncompliance Citation

Pursuant to ORC 145.01 and 145.03, for any township employee, holding an office not elective, membership in the Public Employees Retirement System (OPERS) is compulsory upon being employed and shall continue as long as public employment continues.

Pursuant to 145.47, the township fiscal officer is required to deduct, on every payroll, from the earnable salary of the public employee, an amount equal to the applicable percent of the public employee's earnable salary as contribution to the Public Employees Retirement System.

In 2008, the individual that was appointed as fiscal officer for the period of January 1, 2008 through March 18, 2008 was compensated on a nonpayroll warrant and withholdings related to OPERS were not withheld.

Pursuant to ORC 145.01, 145.03, an appointed village fiscal officer must pay into Ohio Public Employees Retirement System (OPERS), Thus, withholdings related to OPERS should have been withheld from the appointed fiscal officer's payroll check.

This matter will be referred to OPERS.

Official Response:

No response received

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

July 28, 2011

Village of Octa
Fayette County
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For the Years Ended December 31, 2009 and 2008

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Independent Auditor's Report

Village of Octa
Fayette County
P.O. Box 63
Milledgeville, Ohio 43132

To the Village Council:

We have audited the accompanying financial statements of Village of Octa, Fayette County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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. 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 governments 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Octa, Fayette County, as of December 31, 2009 and 2008, 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.

Village of Octa
Fayette County
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, 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.

Caudill & Associates, CPAs

Caudill & Associates, CPA's
June 25, 2010

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, 2009

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Taxes	\$ 35,243	\$ -	\$ -	\$ -	\$ 35,243
Municipal Income Tax	41,783	-	-	-	41,783
Intergovernmental	14,089	10,394	-	-	24,483
Fines, Licenses and Permits	75	-	-	-	75
Earnings on Investments	367	39	-	-	406
Miscellaneous	2,359	1,527	-	-	3,886
Total Cash Receipts	93,916	11,960	-	-	105,876
Cash Disbursements:					
Current:					
Security of Persons and Property	4,088	-	-	-	4,088
Public Health Services	331	-	-	-	331
Leisure Time Activities	395	15,571	-	-	15,966
Community Environment	74	-	-	-	74
Basic Utility Services	2,337	-	-	-	2,337
Transportation	6,756	1,487	-	-	8,243
General Government	71,316	5,675	-	-	76,991
Capital Outlay	539	10,710	-	-	11,249
Debt Service:					
Principal Payment	3,512	-	-	-	3,512
Interest and Fiscal Charges	581	-	-	-	581
Total Cash Disbursements	89,929	33,443	-	-	123,372
Total Receipts Over/(Under) Disbursements	3,987	(21,483)	-	-	(17,496)
Other Financing Sources/(Uses):					
Transfers In	-	11,150	-	-	11,150
Transfers Out	(11,150)	-	-	-	(11,150)
Other Financing Uses	(1,681)	-	-	-	(1,681)
Total Other Financing Sources/(Uses):	(12,831)	11,150	-	-	(1,681)
Receipts and Other Financing Sources Over/ (Under) Disbursements and Other Financing Uses	(8,844)	(10,333)	-	-	(19,177)
Fund Cash Balances, January 1	18,909	15,751	9	115	34,784
Fund Cash Balances, December 31	<u>\$ 10,065</u>	<u>\$ 5,418</u>	<u>\$ 9</u>	<u>\$ 115</u>	<u>\$ 15,607</u>
Reserve for Encumbrances, December 31	<u>\$ 943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 943</u>

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, 2008

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Taxes	\$ 43,264	\$ -	\$ -	\$ -	\$ 43,264
Municipal Income Tax	40,920	-	-	-	40,920
Intergovernmental	3,756	23,110	-	-	26,866
Fines, Licenses and Permits	225	-	-	-	225
Earnings on Investments	830	29	-	-	859
Miscellaneous	5,855	4,191	-	-	10,046
Total Cash Receipts	94,850	27,330	-	-	122,180
Cash Disbursements:					
Current:					
Security of Persons and Property	4,491	-	-	-	4,491
Public Health Services	329	-	-	-	329
Leisure Time Activities	1,044	2,434	-	-	3,478
Community Environment	155	-	-	-	155
Basic Utility Services	3,117	-	-	-	3,117
Transportation	2,726	3,437	-	-	6,163
General Government	81,557	4,721	-	-	86,278
Capital Outlay	-	14,488	-	-	14,488
Debt Service:					
Principal Payment	3,287	-	-	-	3,287
Interest and Fiscal Charges	806	-	-	-	806
Total Cash Disbursements	97,512	25,080	-	-	122,592
Total Receipts Over/(Under) Disbursements	(2,662)	2,250	-	-	(412)
Other Financing Sources/(Uses):					
Transfers In	-	236	-	-	236
Transfers Out	(236)	-	-	-	(236)
Other Financing Sources	200	-	-	-	200
Total Other Financing Sources/(Uses):	(36)	236	-	-	200
Receipts and Other Financing Sources Over/ (Under) Disbursements and Other Financing Uses	(2,698)	2,486	-	-	(212)
Fund Cash Balances, January 1	21,607	13,265	9	115	34,996
Fund Cash Balances, December 31	<u>\$ 18,909</u>	<u>\$ 15,751</u>	<u>\$ 9</u>	<u>\$ 115</u>	<u>\$ 34,784</u>
Reserve for Encumbrances, December 31	<u>\$ 2,945</u>	<u>\$ 3,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,345</u>

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

Village of Octa
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 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 Village of Octa, Fayette County, (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. 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 provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 adequately disclose material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village invests all available funds in an interest-bearing checking account with a local commercial 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 Fund

These funds account for proceeds of 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

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

4. Capital Projects Fund

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

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 individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2009 and 2008 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
For the Years Ended December 31, 2009 and 2008

Note 2 – Equity in Pooled Cash and Investments

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

	2009	2008
Demand Deposits	\$15,607	\$34,784

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

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$97,620	\$93,916	(\$3,704)
Special Revenue	46,800	23,110	(23,690)
Total	\$144,420	\$117,026	(\$27,394)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,365	\$103,703	\$12,662
Special Revenue	35,613	33,443	2,170
Total	\$151,978	\$137,146	\$14,832

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,207	\$95,050	(\$9,157)
Special Revenue	27,805	27,566	(239)
Total	\$132,012	\$122,616	(\$9,396)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,845	\$100,693	\$14,152
Special Revenue	41,065	28,480	12,585
Total	\$155,910	\$129,173	\$26,737

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the 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 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.

Village of Octa
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 - Property Tax (Continued)

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 Township.

Note 5 – Local Income Tax

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities with 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.

Note 6 - Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Truck Note	\$5,750	6.75%

The commercial note was issued for the purchase of a truck on July 7, 2006. Payments are made twice per year out of the General Fund.

Amortization of the above debt, including interest, follows:

Year Ending December 31:	<u>Principal</u>	<u>Interest</u>
2010	\$3,770	\$323
2011	1,980	66
Total	<u>\$5,750</u>	<u>\$389</u>

Note 7 - 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 this plan’s benefits, which include post-retirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2009.

**Village of Octa
Fayette County**
*Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008*

Note 8 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 9 – Related Party Transactions

Robert Ison was Mayor of the Village until June 30, 2009. The Village had several transactions with Ison Construction Company and Mr. Ison. This company is owned by Mr. Ison. In 2009 and 2008, Ison Construction and Mr. Ison received \$8,400 and \$7,942, respectively, for construction-related services.

In 2009 and 2008, the Village employed Tod Ison, who is the son of Robert Ison.

In 2009 and 2008, Sherry Newton served as a Councilperson until June 30, 2009 and as Mayor from July 1, 2009 through the present. Sherry Newton is the wife of Councilperson Bobby Newton.

Note 10 – Compliance

The Village did not properly encumber funds in 2009 and 2008, which is contrary to Ohio Revised Code Section 5705.41(D).

The Village did not properly contribute to the Ohio Public Employees Retirement System for all employees, which is contrary to Ohio Revised Code Section 145.01(A)(3).

The Village had appropriations in excess of available resources in 2009 and 2008, which is contrary to Ohio Revised Code Section 5705.36.

Note 11 – Miscellaneous Receipts

Miscellaneous receipts of Special Revenue Funds are comprised of payments made to the Village for loads of firewood and ground fill. In 2009 and 2008, the amounts of fire wood and fill sold totaled \$2,204 and \$3,845, respectively. The Village does not normally sell material amounts of firewood or ground fill to record as charges for services.



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

Village of Octa
Fayette County
P.O. Box 63
Milledgeville, Ohio 43132

To the Village Council:

We have audited the financial statements of Village of Octa, Fayette County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 25, 2010, 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-004 and 2009-005 described in the accompanying schedule of findings and responses to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-006 described in the accompanying schedule of findings and responses to be a significant deficiency.

Village of Octa
Fayette County

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

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 and responses as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 25, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's
June 25, 2010

**Village of Octa
Fayette County**
*Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008*

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

Finding Number 2009-001

Noncompliance – Prior Encumbrances of Funds

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

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Seventeen percent of non-payroll disbursements tested in 2008 and eighty-eight percent in 2009 were not encumbered prior to commitment in accordance with the Ohio Revised Code. Also, included in the instances of noncompliance for 2009 were numerous instances where contract labor was paid as a "direct" pay where purchase orders were not issued. Failure to properly encumber funds subjects the Village to the risk of expenditure or commitment to expend for items unauthorized or unallowable. We recommend the Village adopt the appropriate procedures to ensure that encumbrances are certified properly in accordance with the Ohio Revised Code, or that exceptions are utilized as appropriate.

Client Response:

The Village chose not to respond.

Finding Number 2009-002

Noncompliance – Retirement Contributions

Ohio Revised Code Section 145.01(A)(3) requires that any person who is an employee of a public employer, notwithstanding that the person's compensation for that employment is derived from funds of a person or entity other than the employer. The Village had three employees in 2009 and three employees in 2008 that appear to have been required to contribute to the Ohio Public Employees Retirement System (OPERS). Contributions were not withheld from these employees' wages nor were the employer contributions paid on their behalf. The Village should withhold and contribute retirement contributions for these employees and contact OPERS to develop a corrective action plan for catching up contributions from prior periods.

Client Response:

The Village chose not to respond.

**Village of Octa
Fayette County**
*Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008*

Finding Number 2009-003

Noncompliance – Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. During 2009, appropriations exceeded available resources in the General, Permissive Motor Vehicle License Tax and Employee Benefits Funds. During 2008, appropriations exceeded available resources in the Parks Fund. Failure to properly monitoring budgetary information subjects the Village to the risk of spending in excess of available resources. The Village should implement monitoring procedures to ensure that budgetary information is amended as necessary to ensure that overspending does not occur and obtain a reduced certificate of estimated resources when it is determined that actual receipts will be less than estimated causing available resources to fall below the current level of appropriations.

Client Response:

The Village chose not to respond.

Finding Number 2009-004

Material Weakness – Misclassification of Receipts and Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. The Village erroneously posted several receipts and disbursements to incorrect line items and, in limited instances, improper funds. This required reclassifications and adjustments to properly present the financial activity of the Village in both years. The Village should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Client Response:

The Village chose not to respond.

Finding Number 2009-005

Material Weakness – Budgetary Information Within the Accounting System

Proper classification of budgeted receipts and disbursements is pertinent to a properly functioning control environment. Officials of the Village rely on information recorded within the UAN system to make spending and budgeting decisions. Variances were identified between the Village's formally approved budgetary documents and the information within its accounting system in 2009. Failure to properly input and update budgetary information within the accounting system subjects the Village to the risk of decision-making based on erroneous information that could result in adverse results. We recommend the Village review budgeting and accounting processes and implement the appropriate steps to ensure that budgeted information included within the accounting system is in agreement with formal approved budgetary documents.

**Village of Octa
Fayette County**
*Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008*

Finding Number 2009-005 (Continued)

Material Weakness – Budgetary Information Within the Accounting System (Continued)

Client Response:

The Village chose not to respond.

Finding Number 2009-006

Significant Deficiency – Overpayments to Officials

Each year, the Village sets an annual salary for officials. The Council members opt to receive half of each month's salary with the regular monthly payroll and to receive a lump sum payment in November of each year for the back pay. Overpayments totaling \$900 for six Village Council Members were noted during our audit. The Village should revisit its payroll processing and monitoring control procedures for consideration of effectiveness and revise such procedures as appropriate to ensure such instances do not occur in the future.

Client Response:

The Village chose not to respond.

**Village of Octa
Fayette County**
*Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Noncompliance ORC 2921.42(A)(1)/Significant Deficiency/Material Weakness – officials prohibited from using “authority or influence of” the public position	Yes	
2007-002	Significant Deficiency – posting of receipts	No	Reissued as Finding 2009-004



Dave Yost • Auditor of State

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
AUGUST 9, 2011