

VILLAGE OF OCTA

FAYETTE COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Octa
P.O. Box 63
Milledgeville, Ohio 43142

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, 2006 through December 31, 2007. 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.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 2, 2009

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**VILLAGE OF OCTA
FAYETTE COUNTY**

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Independent Auditor's Report

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

To the Village Council:

We have audited the accompanying financial statements of Village of Octa (the Village), Fayette County, Ohio, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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.

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 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 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.

Village of Octa
Fayette County
Independent Auditor's Report

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 December 16, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

December 16, 2008

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, 2007**

	<u>Governmental Fund Types</u>				Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>					
Property and Other Taxes	\$ 47,236	\$ -	\$ -	\$ -	\$ 47,236
Municipal Income Tax	45,857	-	-	-	45,857
Intergovernmental	3,220	13,185	-	-	16,405
Fines, Licenses and Permits	695	-	-	-	695
Earnings on Investments	873	105	-	-	978
Miscellaneous	2,337	2,457	-	-	4,794
Total Cash Receipts	<u>100,218</u>	<u>15,747</u>	<u>-</u>	<u>-</u>	<u>115,965</u>
<u>Disbursements:</u>					
Security of Persons and Property	4,474	-	-	-	4,474
Public Health Services	332	-	-	-	332
Leisure Time Activities	905	2,066	-	-	2,971
Basic Utility Services	2,431	-	-	-	2,431
Transportation	3,426	4,195	-	-	7,621
General Government	77,261	5,499	-	-	82,760
Capital Outlay	90	11,169	-	-	11,259
Debt Service:					
Principal Payment	3,077	-	-	-	3,077
Interest and Fiscal Charges	1,017	-	-	-	1,017
Total Cash Disbursements	<u>93,013</u>	<u>22,929</u>	<u>-</u>	<u>-</u>	<u>115,942</u>
Total Receipts Over (Under) Disbursements	<u>7,205</u>	<u>(7,182)</u>	<u>-</u>	<u>-</u>	<u>23</u>
<u>Other Financing Receipts/(Disbursements):</u>					
Transfers-In	-	540	-	-	540
Transfers-Out	(540)	-	-	-	(540)
Total Other Financing Receipts/(Disbursements):	<u>(540)</u>	<u>540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	6,665	(6,642)	-	-	23
Fund Cash Balance, January 1	<u>14,942</u>	<u>19,907</u>	<u>9</u>	<u>115</u>	<u>34,973</u>
Fund Cash Balance, December 31	<u>\$ 21,607</u>	<u>\$ 13,265</u>	<u>\$ 9</u>	<u>\$ 115</u>	<u>\$ 34,996</u>
Reserve for Encumbrances, December 31	<u>\$ 2,325</u>	<u>\$ 10,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,260</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, 2006**

	<u>Governmental Fund Types</u>				Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>					
Property and Other Taxes	\$ 47,561	\$ -	\$ -	\$ -	\$ 47,561
Municipal Income Tax	41,825	-	-	-	41,825
Intergovernmental	3,578	17,194	-	-	20,772
Fines, Licenses and Permits	104	-	-	-	104
Earnings on Investments	581	72	-	-	653
Miscellaneous	3,835	8,175	-	-	12,010
Total Cash Receipts	<u>97,484</u>	<u>25,441</u>	<u>-</u>	<u>-</u>	<u>122,925</u>
<u>Disbursements:</u>					
Security of Persons and Property	3,855	-	-	-	3,855
Public Health Services	382	-	-	-	382
Leisure Time Activities	926	2,751	-	-	3,677
Community Environment	856	-	-	-	856
Basic Utility Services	2,160	-	-	-	2,160
Transportation	2,387	1,088	-	-	3,475
General Government	80,278	2,093	-	-	82,371
Capital Outlay	24,260	9,780	-	-	34,040
Debt Service:					
Principal Payment	1,545	-	-	-	1,545
Interest and Fiscal Charges	502	-	-	-	502
Total Cash Disbursements	<u>117,151</u>	<u>15,712</u>	<u>-</u>	<u>-</u>	<u>132,863</u>
Total Receipts Over (Under) Disbursements	<u>(19,667)</u>	<u>9,729</u>	<u>-</u>	<u>-</u>	<u>(9,938)</u>
<u>Other Financing Receipts/(Disbursements):</u>					
Proceeds from Debt	17,170	-	-	-	17,170
Sale of Fixed Assets	2,856	-	-	-	2,856
Transfers-In	-	400	-	-	400
Transfers-Out	(400)	-	-	-	(400)
Total Other Financing Receipts/(Disbursements):	<u>19,626</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>20,026</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(41)	10,129	-	-	10,088
Fund Cash Balance, January 1	<u>14,983</u>	<u>9,778</u>	<u>9</u>	<u>115</u>	<u>24,885</u>
Fund Cash Balance, December 31	<u>\$ 14,942</u>	<u>\$ 19,907</u>	<u>\$ 9</u>	<u>\$ 115</u>	<u>\$ 34,973</u>
Reserve for Encumbrances, December 31	<u>\$ 2,300</u>	<u>\$ 2,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,196</u>

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, 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 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 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 basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 the Auditor of State prescribes.

C. Cash and Investments

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 Fund

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 Funds:

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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

This fund 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 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 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 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.

**VILLAGE OF OCTA
FAYETTE COUNTY**

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

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:

	2007	2006
Demand deposits	\$34,996	\$34,973
Total deposits		

Deposits: Deposits are either (1) 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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,791	\$100,218	\$6,427
Special Revenue	16,287	16,287	(0)
Total	\$110,078	\$116,505	\$6,427

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,400	\$95,878	\$9,522
Special Revenue	33,287	33,864	(577)
Total	\$138,687	\$129,742	\$8,945

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,295	\$117,510	\$17,215
Special Revenue	25,834	25,841	7
Total	\$126,129	\$143,351	\$17,222

**VILLAGE OF OCTA
FAYETTE COUNTY**

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

2. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,364	\$119,451	\$8,913
Special Revenue	30,221	18,608	11,613
Total	\$158,585	\$138,059	\$20,526

4. PROPERTY TAX

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

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Truck	\$12,549	6.75%

The commercial note was issued for the purchase of a Truck on July 7, 2006. Payments are made twice a year out of the general fund.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$3,301	\$729
2009	3,528	566
2010	3,770	323
2011	<u>1,950</u>	<u>66</u>
Total	<u>\$12,549</u>	<u>\$1,684</u>

**VILLAGE OF OCTA
FAYETTE COUNTY**

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

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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9 and 8.5 percent of their wages. The Village contributed an amount equal to 13.7 and 13.55 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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.

9. RELATED PARTY TRANSACTIONS

The Village had several transactions with Ison Construction Company. This company is owned by the Mayor. In 2007 and 2006, Ison Construction received \$3,040 and \$1,168 for construction related services.

In 2007 the Village approved the employment of Tod Ison as a Village employee. Tod Ison is the son of the Mayor.

In 2006, the Village approved the appointment of Sherry Newton into council. Sherry Newton is the wife of council member, Bobby Newton.

In 2006, the Village approved the appointment of Yvonne May into council. Yvonne May is the wife of council member, Kevin May.

In 2007, the Village approved the appointment of Tyler Predmore into council. Tyler Predmore is the brother of council member, Carl Lofino.

10. COMPLIANCE

Contrary to Ohio Rev. Code Section 2921.42(A)(1), Carla Lofino voted to appoint Tyler Predmore as a council member.

**VILLAGE OF OCTA
FAYETTE COUNTY**

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

11. MISCELLANEOUS RECEIPTS

Miscellaneous receipts of the Special Revenue Fund are comprised of payments made to the Village for loads of firewood and ground fill. In 2006, the amount of fire wood and fill sold totaled \$8,125 in the special revenue fund. In 2007, the amount of firewood and ground fill sold totaled \$2,458. The Village does not normally sell material amounts of firewood or ground fill to record as charges for services.

Caudill & Associates, CPA's

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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 43142

To the Village Council:

We have audited the accompanying financial statements of Village of Octa, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's financial statements, and have issued our report dated December 16, 2008, wherein we noted the Village uses accounting practices the Auditor of State prescribes or permits 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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*

Our consideration of 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 internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency as described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting as items 2007-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2007-001.

We noted a certain other matter that we reported to the Village's management in a separate letter dated December 16, 2008.

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.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

December 16, 2008

**VILLAGE OF OCTA
FAYETTE COUNTY**

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

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

FINDING NUMBER 2007-001

**Noncompliance Citation/Significant Deficiency/Material Weakness – Ohio Revised Code
2921.42(A)(1)**

Ohio Revised Code 2921.42(A)(1) state that an official is prohibited from using the “authority or influence of” the public position to secure a job for a family member. Even if an official abstains from decisions, the law prohibits the official from discussing, recommending, or otherwise using the prestige of the office, formally, or informally, to get a family member employment.

During the audit period, Carla Lofino, a member of council did not abstain from voting for her brother, Tyler Predmore to council appointment.

By voting on issues of personal gain, the Village risks possible investigation by the Ohio Ethics Commission.

We recommend that the Village Council abstain from the discussion and the vote of matters which pertain to family members.

Village Response:

I have always been very conscientious of a council member voting when the decision pertains to a member of their family. In this instance it was overlooked. We will be more aware of this ruling in the future.

VILLAGE OF OCTA
FAYETTE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-002

Significant Deficiency – Posting of Receipts

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. 112 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit 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.

During 2006, the Village did not properly record proceeds of debt and capital outlay. This required a material adjustment to properly present the activity of the Village for 2006.

Failure to post receipts properly can result in material misstatements and unrecorded activities.

We recommend that the Fiscal Officer properly record all transactions on the books of the Village and review the UAN manual chart of accounts to determine the correct coding for the receipts

Village Response:

This is only the second loan the village has had during the time I was at the Village. The first loan was for a Kubota Tractor which went through 5 audits during the loan period. There was never a finding where I had posted incorrectly.

I was unaware that I needed to make a memo entry for the payment of the truck since the check for the loan amount was issued by the bank making the loan. This information will be passed on to the new Fiscal Officer for future reference.



Mary Taylor, CPA
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
MARCH 12, 2009