



Dave Yost • Auditor of State

VILLAGE OF OCTA
FAYETTE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Octa
Fayette County
8029 Allen Street
Washington Court House, Ohio, 43160

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Octa, Fayette County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Octa, Fayette County, Ohio as of December 31, 2017 and 2016 Octa, as of , and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2018

**VILLAGE OF OCTA
FAYETTE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$64,774	\$0	\$0	\$64,774
Municipal Income Tax	54,733	0	0	54,733
Intergovernmental	6,453	9,936	0	16,389
Fines, Licenses and Permits	100	0	0	100
Earnings on Investments	262	0	0	262
Miscellaneous	1,706	2,750	0	4,456
<i>Total Cash Receipts</i>	<u>128,028</u>	<u>12,686</u>	<u>0</u>	<u>140,714</u>
Cash Disbursements				
Current:				
Security of Persons and Property	3,455	0	0	3,455
Leisure Time Activities	172	10,779	0	10,951
Community Environment	1,457	0	0	1,457
Basic Utility Services	6,410	0	0	6,410
Transportation	505	2,067	0	2,572
General Government	75,803	22,112	0	97,915
Capital Outlay	0	623	0	623
Debt Service:				
Principal Retirement	0	3,215	0	3,215
Interest and Fiscal Charges	0	341	0	341
<i>Total Cash Disbursements</i>	<u>87,802</u>	<u>39,137</u>	<u>0</u>	<u>126,939</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>40,226</u>	<u>(26,451)</u>	<u>0</u>	<u>13,775</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	23,600	0	23,600
Transfers Out	(23,600)	0	0	(23,600)
Other Financing Sources	49	0	0	49
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(23,551)</u>	<u>23,600</u>	<u>0</u>	<u>49</u>
<i>Net Change in Fund Cash Balances</i>	16,675	(2,851)	0	13,824
<i>Fund Cash Balances, January 1</i>	<u>81,415</u>	<u>6,666</u>	<u>116</u>	<u>88,197</u>
Fund Cash Balances, December 31				
Restricted	0	3,923	0	3,923
Committed	0	0	116	116
Assigned	3,671	0	0	3,671
Unassigned (Deficit)	94,419	(108)	0	94,311
<i>Fund Cash Balances, December 31</i>	<u>\$98,090</u>	<u>\$3,815</u>	<u>\$116</u>	<u>\$102,021</u>

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

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Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Octa (the Village), Fayette County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations. The Village contracts with the Fayette County Sheriff's department to provide security of persons and property. The Village contracts with Jefferson Township to receive fire protection services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund The fund receives donations and grants for the improvement and maintenance of the Village park.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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 approve estimated resources.

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 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis does not include any investments other than deposits at a commercial bank.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$115,073 for the year ended December 31, 2017. The Special Revenue fund budgetary expenditures exceeded appropriations by \$39,137 for the year ended December 31, 2017.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,334	\$128,077	(\$16,257)
Special Revenue	12,812	36,286	23,474
Capital Projects	0	0	0
Total	\$157,146	\$164,363	\$7,217

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$115,073	(\$115,073)
Special Revenue	0	39,137	(39,137)
Capital Projects	0	0	0
Total	\$0	\$154,210	(\$154,210)

Note 5 – Deposits and Investments

The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$102,021

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residen16, 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.

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Note	\$3,117	6%

In November 2011, the Village secured a promissory note for \$20,000 at 6% interest secured by land. The payments are for 84 months at \$293 per month beginning December 2011.

Amortization

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

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Year Ending December 31:	Building Note Principal and Interest
2018	\$3,327

Note 10 – Related Party Transactions

In 2016 and 2017, Sherry Newton served as Mayor. Sherry Newton is the wife of Councilman Bobby Newton. Ronnie Ison served as Councilman. Ronnie Ison is the father of contract worker Tyler Ison.

**VILLAGE OF OCTA
FAYETTE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$64,970	\$0	\$0	\$64,970
Municipal Income Tax	58,274	0	0	58,274
Intergovernmental	7,501	12,536	0	20,037
Earnings on Investments	177	0	0	177
Miscellaneous	718	2,661	0	3,379
<i>Total Cash Receipts</i>	<u>131,640</u>	<u>15,197</u>	<u>0</u>	<u>146,837</u>
Cash Disbursements				
Current:				
Security of Persons and Property	3,455	0	0	3,455
Leisure Time Activities	7,980	13,905	0	21,885
Community Environment	910	0	0	910
Basic Utility Services	4,774	0	0	4,774
Transportation	464	2,145	0	2,609
General Government	61,895	6,651	0	68,546
Debt Service:				
Principal Retirement	0	3,028	0	3,028
Interest and Fiscal Charges	0	528	0	528
<i>Total Cash Disbursements</i>	<u>79,478</u>	<u>26,257</u>	<u>0</u>	<u>105,735</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>52,162</u>	<u>(11,060)</u>	<u>0</u>	<u>41,102</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	16,500	0	16,500
Transfers Out	(16,500)	0	0	(16,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(16,500)</u>	<u>16,500</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	35,662	5,440	0	41,102
<i>Fund Cash Balances, January 1</i>	<u>45,753</u>	<u>1,226</u>	<u>116</u>	<u>47,095</u>
Fund Cash Balances, December 31				
Restricted	0	6,666	0	6,666
Committed	0	0	116	116
Assigned	1,465	0	0	1,465
Unassigned (Deficit)	79,950	0	0	79,950
<i>Fund Cash Balances, December 31</i>	<u>\$81,415</u>	<u>\$6,666</u>	<u>\$116</u>	<u>\$88,197</u>

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

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Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Octa (the Village), Fayette County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations. The Village contracts with the Fayette County Sheriff's department to provide security of persons and property. The Village contracts with Jefferson Township to receive fire protection services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

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The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund The fund receives donations and grants for the improvement and maintenance of the Village park.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2016

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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 approve estimated resources.

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 2016 budgetary activity appears in Note 4.

Deposits

The Village's accounting basis does not include any investments other than deposits at a commercial bank.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2016

incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$97,443 for the year ended December 31, 2016. The Special Revenue fund budgetary expenditures exceeded appropriations by \$26,257 for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,453	\$131,640	(\$34,813)
Special Revenue	19,626	31,697	12,071
Capital Projects	160	0	(160)
Total	\$186,239	\$163,337	(\$22,902)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$97,443	(\$97,443)
Special Revenue	0	26,257	(26,257)
Capital Projects	0	0	0
Total	\$0	\$123,700	(\$123,700)

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments

The carrying amount of deposits at December 31 was as follows:

Demand deposits	<u>2016</u> \$88,197
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Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – Taxes

Property Taxes

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

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

Income Taxes

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.

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2016

- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Note	\$6,332	6%

In November 2011, the Village secured a promissory note for \$20,000 at 6% interest secured by land. The payments are for 84 months at \$293 per month beginning December 2011. We noted late payments throughout the year during our testing.

Amortization

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

	Building Note
Year Ending	Principal and
December 31:	Interest
2017	\$3,515
2018	3,317
Total	\$6,832

Village of Octa, Ohio
Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Related Party Transactions

In 2016 and 2017, Sherry Newton served as Mayor. Sherry Newton is the wife of Councilman Bobby Newton. Ronnie Ison served as Councilman. Ronnie Ison is the father of contract worker Tyler Ison.



Dave Yost • Auditor of State

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

Village of Octa
Fayette County
8029 Allen Street
Washington Court House, Ohio, 43160

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Octa, Fayette, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 10, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

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Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2018

**VILLAGE OF OCTA
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village lacked controls to ensure that transactions were posted accurately. We identified the following 2017 and 2016 posting errors:

2017					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
Park & Recreation (2041)	Other Financing Uses	\$3,263	Park & Recreation (2041)	Principal Interest	\$2,944 \$319
General	Other Financing Uses	\$293	Park & Recreation (2041)	Principal Interest	\$271 \$22
Building Note payments were incorrectly recorded as other financing uses and should have been recorded as Principal and Interest. The September payment was incorrectly recorded in the General fund and should have been recorded in the Park and Recreation Fund.					
General	Unassigned Fund Balance	\$3,671	General	Assigned Fund Balance	\$3,671
Outstanding Purchase orders at year end that were incorrectly recorded as unassigned and should have been assigned.					

2016					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
Park & Recreation (2041)	Intergovern.	\$2,533	Park & Recreation (2041)	Miscellaneous	\$2,533
The Village incorrectly recorded and insurance claim check as Intergovernmental and it should have been recorded as Miscellaneous receipts.					
Park & Recreation (2041)	Other Fin. Uses General Govt	\$3,263 \$293	Park & Recreation (2041)	Principal Interest	\$3,028 \$528
Building Note payments were incorrectly recorded as other financing uses and general government, amounts should have been recorded as Principal and Interest.					

Failure to accurately post and report receipt and expenditure transactions could result in material errors in the Village's financial statements and reduces the ability of Council to monitor financial activity and to make sound decisions which affect the overall available cash position of the Village.

**FINDING NUMBER 2017-001
 (Continued)**

The Village has corrected the financial statements and accounting records where appropriate to address these posting errors.

Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds.

Officials' Response:

The officials did not respond to this finding.

FINDING NUMBER 2017-002

Noncompliance

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

Ohio Rev. Code § 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated.

The Village did not pass either a permanent or temporary appropriations measure for 2017 and 2016. Because there was no appropriation measure in effect, the following funds had expenditures and outstanding encumbrances that exceeded appropriations:

2017	Appropriations	Expenditures + Outstanding Encumbrances	Excess
General Fund	\$0	\$115,073	(\$115,073)
Street & Construction	0	839	(839)
Parks & Recreation	0	38,298	(38,298)

2016	Appropriations	Expenditures + Outstanding Encumbrances	Excess
General Fund	\$0	\$97,443	(\$97,443)
Street & Construction	0	1,717	(1,717)
Parks & Recreation	0	24,540	(24,540)

Failure to approve and file their appropriations did not allow Village officials to monitor budgetary position and could result in overspending and negative fund balances. This resulted in negative variances as reported in the budgetary footnote.

**FINDING NUMBER 2017-002
(Continued)**

We recommend the Village file appropriate budgetary documentation with the county auditor and Budget Commission as required by Ohio Law. We also recommend the District monitor during the year actual expenditures against budgeted amounts.

Officials' Response:

The officials did not respond to this finding.

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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
DECEMBER 27, 2018