

VILLAGE OF OCTA  
FAYETTE COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022



*Millhuff-Stang*

CERTIFIED PUBLIC ACCOUNTANT

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Village Council  
Village of Octa  
8029 Allen Street  
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We have reviewed the *Independent Auditor's Report* of the Village of Octa, Fayette County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2022 through December 31, 2023. 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 1**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgement of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During fiscal years 2023 and 2022, the Village was assessed penalties and interest charges for late payments of federal taxes, state taxes, and OPERS retirement contributions.

**Ohio Rev. Code § 145.47(B)** provides that the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period.

**Ohio Administrative Code § 145-1-27(B)(2)** provides that beginning on January 1, 2008, employer liabilities shall be received by the retirement system not later than the thirtieth day after the last day of the calendar month for which related member contributions are withheld.

**Ohio Rev. Code § 5747.07(B)(3)** provides that for state income tax withheld, except as required by divisions (B)(1) and (2) of this section, if an employer's actual or required payments were more than two thousand dollars during the twelve-month period ending on the thirtieth day of June of the preceding calendar year, the employer shall make the payment of undeposited taxes for each month during which

they were required to be withheld no later than fifteen days following the last day of that month. The employer shall file the return prescribed by the tax commissioner with the payment. Internal Revenue Service Notice 931 provides that if an employer's total tax reported for the lookback period was \$50,000 or less, they are a monthly depositor, and accumulated taxes during a calendar month are due by the 15<sup>th</sup> day of the following month.

The following table details the late penalties and interest:

<b>Late Penalties and Interest</b>	<b>2023</b>	<b>2022</b>
Internal Revenue Service	\$ 1,574.85	\$ -
Ohio Public Employee Retirement System	46.91	39.97
State of Ohio Dept of Taxation	1,136.70	-
Total	\$2,758.46	\$ 39.97

This repeated failure to remit state tax withholdings, OPERS withholdings, and federal tax withholdings timely and to file OPERS reports timely is considered gross negligence. The late fees, penalties, and interest paid by the Village that were incurred as a result of gross negligence serve no proper public purpose and could have been avoided had the withholdings been paid in a timely manner.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Penny Johnson, Former Fiscal Officer and her bonding company Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$2,798.43 and in favor of the Village of Octa's General fund.

#### **Finding For Recovery 2 - Repaid**

The Village of Octa erroneously paid employee Roger Lovett 10 hours of overtime compensation for pay period ending February 5, 2023. Mr. Lovett's payroll timecard documented only 5 hours of overtime were worked for the pay period. This resulted in an overpayment in the amount of \$135.00 to Mr. Lovett.

In accordance with the forgoing facts and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Roger Lovett, in the amount of \$135.00 in favor of the General Fund of the City of Chillicothe.

On December 13, 2024, Roger Lovett paid \$135.00 to the Village of Octa. The finding for recovery is repaid in full.

#### **Finding for Recovery 3 - Repaid**

**Village of Octa Ordinance 2011-02** states that each Councilperson will be compensated at a rate of \$25.00 per meeting, as they are called by the Mayor of the Village Council.

**Village of Octa Ordinance O-2017-02** states, in part, that the Village Council of Octa has agreed to pay each Council Member \$150 per meeting. During 2022, the Village held ten regular meetings and three special meetings. During 2023 the Village held twelve regular meetings and one special meeting. The following Council Members were overpaid by the respective amounts during the audit period, based on meeting attendance records: Winnie Gregory \$225.00, Linda Turner \$225.00, Michael Turner \$225.00, Amanda Wickline \$150.00, Mark Rinehart \$225.00, Dianna Anders \$225.00, and Jenni Glispie \$125.00.

Village Council  
Village of Octa  
8029 Allen Street  
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In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following individuals in the following amounts and in favor of the Village of Octa's General Fund: Winnie Gregory \$225.00, Linda Turner \$225.00, Michael Turner \$225.00, Amanda Wickline \$150.00, Mark Rinehart 225.00, Dianna Anders \$225.00, and Jenni Glispie \$125.00.

On December 13, 2024, Linda Turner, and Michael Turner each paid \$225, and Amanda Wickline paid \$150 to the Village of Octa. On December 14, 2024, Jenni Glispie paid \$125.00, and Winnie Gregory paid \$225.00. On December 13, 2024, Dianna Anders and Mark Rinehart each paid \$225.00 to the Village of Octa. The above findings for recovery are repaid in full.

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.



Keith Faber  
Auditor of State  
Columbus, Ohio

**April 09, 2025**

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**Village of Octa**  
**Fayette County**  
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*For the Years Ended December 31, 2023 and 2022*

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**Independent Auditor's Report**

Village Council  
Village of Octa  
Fayette County  
8029 Allen St NW  
Washington Courthouse, Ohio 43160

***Report on the Audit of the Financial Statements***

***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Octa, Fayette County, Ohio, (the Village), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position thereof for the years then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Emphasis of Matter***

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

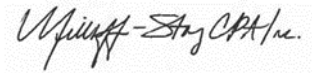
- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, 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 solely 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 effectiveness of the Village's 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.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

December 13, 2024

**Village of Octa  
Fayette County**

*Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2023*

	General Fund	Special Revenue Funds	Capital Projects Fund	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$71,346	\$7	\$0	\$71,353
Municipal Income Tax	48,325	0	0	48,325
Intergovernmental	5,179	15,856	0	21,035
Special Assessments	200	0	0	200
Fines, Licenses and Permits	100	0	0	100
Earnings on Investments	158	0	0	158
Miscellaneous	19,975	288	0	20,263
Total Cash Receipts	145,283	16,151	0	161,434
Cash Disbursements:				
Current:				
Security of Persons and Property	3,069	0	0	3,069
Leisure Time Activities	1,745	30,888	0	32,633
Transportation	217	5,205	0	5,422
General Government	101,389	0	0	101,389
Capital Outlay	1,609	5,700	0	7,309
Debt Service:				
Principal Payment	2,568	2,568	0	5,136
Interest and Fiscal Charges	63	63	0	126
Total Cash Disbursements	110,660	44,424	0	155,084
Excess of Receipts Over (Under) Disbursements	34,623	(28,273)	0	6,350
Other Financing Receipts (Disbursements):				
Transfers In	0	24,823	0	24,823
Transfers Out	(24,823)	0	0	(24,823)
Other Financing Uses	0	(45)	0	(45)
Total Other Financing Receipts (Disbursements)	(24,823)	24,778	0	(45)
Net Change in Fund Cash Balances	9,800	(3,495)	0	6,305
Fund Cash Balances, January 1	33,244	25,571	116	58,931
Fund Cash Balances, December 31	\$43,044	\$22,076	\$116	\$65,236

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 Year Ended December 31, 2023*

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**Note 1 – Reporting Entity**

The Village of Octa, Fayette County, Ohio (the Village) 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 Office to provide security of persons and property. The Village contracts with Jefferson Township to provide fire protection services.

**Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations**

The Village participates in jointly governed organizations and a public entity risk pool. Notes 11 and 15 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The Village's financial statement consists 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 sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

*Street Construction, Maintenance and Repair Fund* – This 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* – This fund receives donations and grants for the improvement and maintenance of the Village park.

*Capital Projects 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**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2023*

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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).

This statement includes 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 (C) 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, function or object 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 the 2023 budgetary activity appears in note 3.

**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 statement does not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

**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.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2023*

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

For regulatory purposes, limited disclosure related to fund balance is included in note 14.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2023 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,545	\$145,283	\$37,738
Special Revenue	43,800	40,974	(2,826)
Total	<u>\$151,345</u>	<u>\$186,257</u>	<u>\$34,912</u>

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$139,264	(\$139,264)
Special Revenue	0	45,362	(45,362)
Total	<u>\$0</u>	<u>\$184,626</u>	<u>(\$184,626)</u>

**Note 4 – Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

	2023
Demand Deposits	\$65,236

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2023*

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**Note 5 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credit and/or homestead and rollback deductions. The financial statement includes these credits and/or deduction 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 6 – Risk Management**

**Workers' Compensation**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities is calculated as one experience and a common premium is applied to all entities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all entities in the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Sedgwick provides administrative, cost control and actuarial services to the GRP.

**Risk Pool Membership**

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown



**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2023*

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The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2023:

Cash and Investments	\$43,996,442
Actuarial Liabilities	\$19,743,401

**Note 7 – 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, 2023.

**Note 8 – Postemployment Benefits**

OPERS offers 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 0 percent during calendar year 2023. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2023.

**Note 9 – Debt**

In August 2018, the Village secured a promissory note for \$34,059 at 5.75 percent interest secured by the tractor. The payments are for 60 months at \$655 per month beginning in September 2018. The Village made its final payment on this note in August 2023.

**Note 10 – Contingent Liabilities**

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

The Village is not currently party to any legal proceedings.

**Note 11 – Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2023*

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**Note 12 – Compliance**

Contrary to Ohio law, the Village had budgetary expenditures in excess of appropriations in the general fund of \$139,264, the street construction fund of \$5,205, and the parks and recreation fund of \$40,157.

The Village did not timely pay federal and state taxes, or retirement contributions, nor did it file, timely or otherwise, required tax returns.

The Village did not timely adopt annual appropriations, nor did it file appropriations with the County Auditor.

The Village did not always properly certify the availability of funds.

The Village did not always maintain supporting documentation.

**Note 13 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated. The Village did not receive any COVID-19 funding in 2023.

**Note 14 – Fund Balances**

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	\$3,781	\$893	\$4,674
<i>Total</i>	<u>\$3,781</u>	<u>\$893</u>	<u>\$4,674</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital project funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 15 – Jointly Governed Organizations**

On January 11, 2022, the Village adopted resolution 2022-16, authorizing townships and municipal corporations within Fayette County, Ohio, to create a joint ambulance district. This district provides ambulance services to the residents of the participating townships and municipalities within Fayette County. The Village appoints one representative to the governing board of the District. The Village did not contribute any funds to the District for 2023.

**Village of Octa  
Fayette County**

*Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2022*

	General Fund	Special Revenue Funds	Capital Projects Fund	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$65,996	\$0	\$0	\$65,996
Municipal Income Tax	52,198	0	0	52,198
Intergovernmental	8,579	15,322	0	23,901
Special Assessments	650	650	0	1,300
Charges for Services	0	500	0	500
Earnings on Investments	149	0	0	149
Miscellaneous	3,513	123	0	3,636
Total Cash Receipts	131,085	16,595	0	147,680
Cash Disbursements:				
Current:				
Security of Persons and Property	3,665	0	0	3,665
Leisure Time Activities	1,203	28,578	0	29,781
Transportation	139	3,503	0	3,642
General Government	87,061	0	0	87,061
Capital Outlay	4,575	0	0	4,575
Debt Service:				
Principal Payment	3,667	3,667	0	7,334
Interest and Fiscal Charges	268	268	0	536
Total Cash Disbursements	100,578	36,016	0	136,594
Excess of Receipts Over (Under) Disbursements	30,507	(19,421)	0	11,086
Other Financing Receipts (Disbursements):				
Transfers In	0	30,080	0	30,080
Transfers Out	(30,080)	0	0	(30,080)
Other Financing Uses	(201)	0	0	(201)
Total Other Financing Receipts (Disbursements)	(30,281)	30,080	0	(201)
Net Change in Fund Cash Balances	226	10,659	0	10,885
Fund Cash Balances, January 1 - Restated	33,018	14,912	116	48,046
Fund Cash Balances, December 31	\$33,244	\$25,571	\$116	\$58,931

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 Year Ended December 31, 2022*

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**Note 1 – Reporting Entity**

The Village of Octa, Fayette County, Ohio (the Village) 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 Office to provide security of persons and property. The Village contracts with Jefferson Township to provide fire protection services.

**Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations**

The Village participates in jointly governed organizations and a public entity risk pool. Notes 11 and 15 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The Village's financial statement consists 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 sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

*Street Construction, Maintenance and Repair Fund* – This 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* – This fund receives donations and grants for the improvement and maintenance of the Village park.

*Capital Projects 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**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2022*

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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).

This statement includes 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 (C) 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, function or object 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 the 2022 budgetary activity appears in note 3.

**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 statement does not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

**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.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2022*

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

For regulatory purposes, limited disclosure related to fund balance is included in note 14.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2022 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,650	\$131,085	\$21,435
Special Revenue	52,675	46,675	(6,000)
Total	\$162,325	\$177,760	\$15,435

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$134,671	(\$134,671)
Special Revenue	0	37,644	(37,644)
Total	\$0	\$172,315	(\$172,315)

**Note 4 –Deposits**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

	<u>2022</u>
Demand Deposits	\$58,931

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2022*

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**Note 5 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credit and/or homestead and rollback deductions. The financial statement includes these credits and/or deduction 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 6 – Risk Management**

**Workers' Compensation**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities is calculated as one experience and a common premium is applied to all entities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for all entities in the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Sedgwick provides administrative, cost control and actuarial services to the GRP.

**Risk Pool Membership**

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Village of Octa**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2022:

Cash and Investments	\$42,310,794
Actuarial Liabilities	\$15,724,479

**Note 7 – 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, 2022.

**Note 8 – Postemployment Benefits**

OPERS offers 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 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022.

**Note 9 – Debt**

Debt outstanding at December 31, 2022 was as follows:

	Principal	Interest Rate
Tractor Note	\$5,136	5.75%

In August 2018, the Village secured a promissory note for \$34,059 at 5.75 percent interest secured by the tractor. The payments are for 60 months at \$655 per month beginning in September 2018.

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

Year Ending December 31:	Tractor Note
2023	\$5,236
Total	<u>\$5,236</u>



**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2022*

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**Note 10 – Contingent Liabilities**

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

The Village is not currently party to any legal proceedings.

**Note 11 – Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 12 – Compliance**

Contrary to Ohio law, the Village had budgetary expenditures in excess of appropriations in the general fund of \$134,671, the street construction fund of \$3,504, and the parks and recreation fund of \$34,140.

The Village did not timely pay federal and state taxes, or retirement contributions, nor did it file, timely or otherwise, required tax returns.

The Village did not timely adopt annual appropriations, nor did it file appropriations with the County Auditor.

The Village did not always properly certify the availability of funds.

The Village did not always maintain supporting documentation.

**Note 13 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated. The Village did not receive any COVID-19 funding in 2022.

**Note 14 – Fund Balances**

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2022*

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<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Outstanding Encumbrances	\$3,812	\$1,628	\$0	\$5,440
<i>Total</i>	<u>\$3,812</u>	<u>\$1,628</u>	<u>\$0</u>	<u>\$5,440</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital project funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 15 – Jointly Governed Organizations**

On January 11, 2022, the Village adopted resolution 2022-16, authorizing townships and municipal corporations within Fayette County, Ohio, to create a joint ambulance district. This district provides ambulance services to the residents of the participating townships and municipalities within Fayette County. The Village appoints one representative to the governing board of the District. The Village did not contribute any funds to the District for 2022.

**Note 16 – Restatement of Fund Balances**

Payments outstanding from previous years were determined to be erroneously recorded. The Village restated its beginning fund balance to correct these errors.

This restatement had the following effect on fund balances as of December 31, 2021:

	<u>General Fund</u>	<u>Special Revenue</u>
Fund Balance, December 31, 2021	\$5,041	\$12,874
Adjustments:		
Outstanding Payments	27,977	2,038
Restated Fund Balance, December 31, 2021	<u>\$33,018</u>	<u>\$14,912</u>

**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***

Independent Auditor's Report

Village Council  
Village of Octa  
Fayette County  
8029 Allen St NW  
Washington Courthouse, Ohio 43160

We have audited 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 (*Government Auditing Standards*), the financial statements of the Village of Octa, Fayette County, Ohio, (the Village) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements and have issued our report thereon dated December 13, 2024, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, and 2023-004 through 2023-008 that we consider to be material weaknesses.



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*

Page 2

### **Report on Compliance and Other Matters**

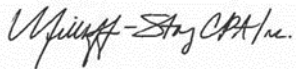
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-002, 2023-003, 2023-005, 2023-007, and 2023-008.

### **Village's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

December 13, 2024

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2023 and 2022*

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

**Finding Number 2023-001**

**Material Weakness – Financial Reporting**

A monitoring system by the Village should be in place to prevent or detect misstatements for the accurate presentation of the Village's financial statements. The Village had misclassifications in property and income taxes and intergovernmental revenues, miscellaneous revenues, special assessments, proceeds from sale of assets, other financing sources, debt payments, nonpayroll expenditures, interfund transactions, and other financing uses. The Village also posted certain revenues and expenditures to incorrect funds. Additionally, changes were required to properly present note disclosures. The Village should implement additional operating and monitoring procedures to ensure that transactions are properly recorded, that notes are properly presented, and that errors in cash balances are identified and properly and timely addressed.

***Client Response:***

This will be corrected going forward.

**Finding Number 2023-002**

**Noncompliance/Material Weakness – Timely Filing of Taxes Returns and Payment of Payroll Withholdings and Employer Contributions**

IRS Publication 15 states that monthly depositors must pay employment taxes by the 15th day of the month following the month of payment to employees.

Ohio Revised Code Section 5747.07(B)(4) states that except as required by divisions (B)(1), (2), and (3) of this section, an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

Each employer required to deduct and withhold any tax is liable for the payment of that amount required to be deducted and withheld, whether or not the tax has in fact been withheld, unless the failure to withhold was based upon the employer's good faith in reliance upon the statement of the employee as to liability, and the amount shall be deemed to be a special fund in trust for the general revenue fund.

Ohio Revised Code Section 4141.20(B) states that every contributory employer shall file a quarterly contribution and wage report. The quarterly report shall be filed not later than the last day of the first month following the close of the calendar quarter for which the quarterly report is being filed. The employer shall enter on the quarterly report the total and taxable remuneration paid to all employees during the quarter, the name and social security number of each individual employed during the calendar quarter, the total remuneration paid the individual, the number of weeks during the quarter for which the individual was paid remuneration, and any other information as required by section 1137 of the "Social Security Act."

In case of failure to properly file the quarterly contribution and wage report containing all the required contribution and wage information within the time prescribed by this section, the director shall assess a forfeiture amounting to twenty-five one-hundredths of one percent of the total remuneration reported by the employer, provided such forfeiture shall not be less than fifty nor more than one thousand dollars.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2023 and 2022*

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**Finding Number 2023-002 (Continued)**

**Noncompliance/Material Weakness – Timely Filing of Taxes Returns and Payment of Payroll Withholdings and Employer Contributions (Continued)**

145.51(B) states that except as provided in section 145.52 of the Revised Code, all employer obligations described in division (A) of this section must be received by the public employees retirement system not later than the thirtieth day after the last day of the calendar month for which related member contributions are withheld.

We noted that the Village made late payments of federal taxes, state taxes, and retirement withholdings and contributions. In addition, many quarterly tax returns throughout the audit period were not filed timely or at all. We noted instances where payments recorded in the system were duplicated or not recorded at all. Multiple penalties and late fees were assessed to the Village as a result of these late payments. The Village should implement procedures to ensure all payments are made and all returns are filed in a timely manner to avoid the assessment of late penalties/interest. Additionally, the Village should consult with the State Department of Taxation to ensure that there are no balances due to the State due to payments that could not be confirmed, and that amounts identified as overpayments are properly credited or refunded. The Village should also consult with the Internal Revenue Service to ensure that all returns are filed and that payments are applied to the proper year, or refunded as appropriate.

***Client Response:***

This will be corrected going forward.

**Finding Number 2023-003**

**Noncompliance – Annual Appropriations Measures**

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.” During testing, we noted that neither the 2022 nor the 2023 appropriation measure was adopted timely by the Village nor was either year’s measure filed with the County. As stated in Ohio Revised Code Section 5705.39, no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended certificate. We did not note that temporary measures were passed prior to the adoption of these permanent appropriations. Additionally, the Village adopted its appropriation measures at the fund level, not the required minimum legal level of control. The Village should implement procedures to ensure appropriation measures are adopted by the required date and at the minimum legal level of control and are then filed with the County Auditor in a timely manner. Additionally, temporary appropriations may be passed on or before January 1 each year until a permanent appropriation measure is approved, if deemed necessary.

***Client Response:***

This will be corrected going forward.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2023 and 2022*

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**Finding Number 2023-004**

**Material Weakness – Budgetary Information Within Accounting System**

Accurate budgetary information within the Village’s accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to budgets are authorized by the governing board. During testing of budgetary information within the system, we noted that the amounts within the system did not agree to the appropriations amounts adopted by Village Council or the estimated resources filed with the County Auditor. We also noted that beginning balances per the amended certificate did not agree to prior year audited balances. The Village should implement the appropriate procedures to ensure that all authorized budgetary amendments are properly documented within the minutes record and accurately posted to the system. The Village should also ensure that beginning balances are reconciled when audit adjustments and/or error corrections are posted to the accounting system.

***Client Response:***

This will be corrected going forward.

**Finding Number 2023-005**

**Noncompliance/Material Weakness – Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Appropriations measures were not adopted timely by the Village for 2022 and 2023, nor were the appropriations filed with the County Auditor for either year. Therefore, all expenditures were noncompliant. The Village should monitor financial activity to ensure that expenditures do not exceed the amount appropriated and that the amount appropriated does not exceed the amount of resources estimated and available. Additionally, the Village should ensure that annual appropriations are adopted timely and filed with the County Auditor by the required date, and prior to expenditure of funds, to ensure compliance with the Ohio Revised Code.

***Client Response:***

This will be corrected going forward.

**Finding Number 2023-006**

**Material Weakness – Bank Reconciliations**

Accurate reconciliation procedures are a key component of an effective accounting system required to enable the Village to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

The Village had significant other adjusting factors as of December 31, 2022, and for most of 2023. This was due to several receipts and disbursements that were not recorded within the accounting system by the Fiscal Officer. The Village was able to identify all variances for the audit period and make corrections to the accounting system by the end of the audit period. However, we noted there are still significant old outstanding payments that need to be investigated and resolved by the Village.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2023 and 2022*

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**Finding Number 2023-006 (Continued)**

**Material Weakness – Bank Reconciliations (Continued)**

Without accurate bank reconciliations, Council and management cannot make accurate financial decisions on behalf of the Village. The Village should adopt proper procedures to ensure that, at each month end, bank accounts are properly reconciled to the Village's accounting system. Any discrepancies between the two should be investigated and resolved accordingly. Additionally, for old outstanding retirement and tax postings, the Village should investigate these items to ensure that all withholdings and employer contributions have been paid to the appropriate retirement system and taxing agencies. For other old outstanding items, the Village should investigate these items and resolve them as appropriate.

**Client Response:**

This will be corrected going forward.

**Finding Number 2023-007**

**Noncompliance/Material Weakness – Supporting Documentation**

Ohio Revised Code Section 149.351(A) states that all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

During testing of income tax receipts, we noted four instances in which supporting documentation was not maintained; therefore we were unable to recalculate the income tax due to verify that the amount remitted to the Village was proper. Further, the Village did not maintain the support to document which funds employees are to be paid from in an easily accessible format. Employee timesheets did not document hours spent working on different projects/funds. Finally, the Village did not maintain approved pay rate support in an employee's personnel file or in the official minute record.

We recommend that all employee pay rates or scales and funds should be clearly approved by Council annually and this approval should be detailed in the minutes. Alternatively, the Village should require that employees provide detailed timesheets that support payroll allocations between funds. Lastly, the Village should implement procedures to ensure that all supporting documentation is maintained and that a proper audit trail is kept.

**Client Response:**

This will be corrected going forward.



**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2023 and 2022*

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**Finding Number 2023-008**

**Noncompliance/Material Weakness – Prior Certification of Funds**

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village had unrecorded encumbrances for both years, but amounts were deemed immaterial and adjustments to note disclosures were waived. We also noted invoice dates preceding purchase order dates. Also, we noted that the Village has not passed a resolution establishing a threshold for blanket certificates.

The Village should adopt procedures to ensure that there are no unrecorded encumbrances at year-end. Additionally, the Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that indicate the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Additionally, the Village should adopt a resolution establishing a threshold for blanket certificates as required by the Ohio Revised Code.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2023 and 2022*

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**Finding Number 2023-008 (Continued)**

**Noncompliance/Material Weakness – Prior Certification of Funds (Continued)**

**Client Response:**

This will be corrected going forward.

**Village of Octa  
Fayette County**  
*Schedule of Prior Audit Findings  
For the Years Ended December 31, 2023 and 2022*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2021-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2023-001
2021-002	Noncompliance/Material Weakness – Timely Payment of Payroll Withholdings and Employer Contributions	No	Reissued as Finding 2023-002
2021-003	Noncompliance – Annual Appropriations Measures	No	Reissued as Finding 2023-003
2021-004	Material Weakness – Budgetary Information Within Accounting System	No	Reissued as Finding 2023-004
2021-005	Noncompliance/Material Weakness – Expenditures in Excess of Appropriations	No	Reissued as Finding 2023-005
2021-006	Material Weakness – Bank Reconciliations	No	Reissued as Finding 2023-006
2021-007	Noncompliance/Material Weakness – Supporting Documentation	No	Reissued as Finding 2023-007
2021-008	Noncompliance/Material Weakness – Prior Certification of Funds	No	Reissued as Finding 2023-008

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF OCTA**

**FAYETTE COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 4/22/2025**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)