



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF ITHACA
DARKE COUNTY

DECEMBER 31, 2022 AND 2021

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Ithaca
Darke County
611 Main Street
Ithaca, Ohio 45304

To the Village Council:

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of the Village of Ithaca, Darke 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, 2022 and 2021, and the related notes to the financial statements.

We do not express an opinion on the accompanying financial statements of the Village of Ithaca. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Management has not provided certain written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Village's financial reporting framework, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility of the Village's compliance with laws and regulations; the identification and disclosure of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants, the identification of all Federal assistance programs, and compliance with Federal grant requirements.

Additionally, 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(C), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. Further, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America.

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.

Substantial Doubt about the Village's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 9 to the financial statements, the Village has suffered recurring losses from operations, and has stated that substantial doubt exists about the Village's ability to continue as a going concern. As of May 28, 2024, management is researching potential revenue streams and has yet to develop a specific plan to address these conditions. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is unmodified regarding this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Village's financial statements in accordance with GAAS and *Government Auditing Standards* and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 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.



Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2024

Village of Ithaca, Ohio
Darke 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 | Special Revenue | Combined Total |
|---|------------------|--------------------|-------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$447 | | \$447 |
| Intergovernmental | 18,484 | \$20,316 | 38,800 |
| Earnings on Investments | 11 | 21 | 32 |
| Miscellaneous | 1,135 | | 1,135 |
| <i>Total Cash Receipts</i> | <u>20,077</u> | <u>20,337</u> | <u>40,414</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 2,109 | | 2,109 |
| Basic Utility Services | 4,918 | | 4,918 |
| Transportation | 3,079 | 3,156 | 6,235 |
| General Government | 36,356 | 52 | 36,408 |
| <i>Total Cash Disbursements</i> | <u>46,462</u> | <u>3,208</u> | <u>49,670</u> |
| <i>Net Change in Fund Cash Balances</i> | (26,385) | 17,129 | (9,256) |
| <i>Fund Cash Balances, January 1</i> | <u>21,286</u> | <u>45,929</u> | <u>67,215</u> |
| <i>Fund Cash Balances, December 31</i> | <u>(\$5,099)</u> | <u>\$63,058</u> | <u>\$57,959</u> |

See accompanying notes to the basic financial statements.

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Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Ithaca (the Village), Darke 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 general government service and contracts with Arcanum Fire Department to provide fire 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, which are organized on a fund type basis.

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 Fund:

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.

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 (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 and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements 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 (C) permit.

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2022

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2022 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2022

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 8.

Note 3 – Compliance

Contrary to Ohio law, the Village did not approve and submit any certificate of estimated resources or appropriations for 2022.

Note 4 – Budgetary Activity

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

| Fund Type | Receipts | Receipts | Variance |
|-----------------|------------|-----------------|-----------------|
| General | \$0 | \$20,077 | \$20,077 |
| Special Revenue | 0 | 20,337 | 20,337 |
| Total | <u>\$0</u> | <u>\$40,414</u> | <u>\$40,414</u> |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$0 | \$46,462 | (\$46,462) |
| Special Revenue | 0 | 3,208 | (3,208) |
| Total | <u>\$0</u> | <u>\$49,670</u> | <u>(\$49,670)</u> |

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5 – Deposits and Investments

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 and investment accounts are as follows:

| | <u>2022</u> |
|-------------------------------------|----------------------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$47,671 |
| Certificates of deposit | <u>10,288</u> |
| Total carrying amount of deposits | <u><u>57,959</u></u> |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect all payroll expenditures.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include 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.

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – 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. The fund balances of special revenue funds are restricted. These restricted amounts in the special revenue funds would including any outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Village had no outstanding encumbrances at December 31, 2021.

Note 9 – Going Concern

Disbursements in the General Fund have exceeded receipts. As of December 31, 2022, the Village had a negative General Fund balance of \$5,099. Without other sources of revenue, we project the Village's financial position to worsen.

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Village of Ithaca, Ohio
Darke County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021*

| | General | Special Revenue | Combined Total |
|---|-----------------|--------------------|-------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$594 | | \$594 |
| Intergovernmental | 17,409 | 6,978 | 24,387 |
| Earnings on Investments | 48 | | 48 |
| Miscellaneous | 500 | | 500 |
| <i>Total Cash Receipts</i> | <u>18,551</u> | <u>6,978</u> | <u>25,529</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 5,559 | | 5,559 |
| Basic Utility Services | 5,309 | | 5,309 |
| Transportation | | 480 | 480 |
| General Government | 10,469 | 479 | 10,948 |
| <i>Total Cash Disbursements</i> | <u>21,337</u> | <u>959</u> | <u>22,296</u> |
| <i>Net Change in Fund Cash Balances</i> | (2,786) | 6,019 | 3,233 |
| <i>Fund Cash Balances, January 1</i> | <u>24,072</u> | <u>39,910</u> | <u>63,982</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$21,286</u> | <u>\$45,929</u> | <u>\$67,215</u> |

See accompanying notes to the basic financial statements.

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Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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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 (C) permit.

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2021

Budgetary Process

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Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2021 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2021

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 8.

Note 3 – Compliance

Contrary to Ohio law, the Village did not approve and submit any certificate of estimated resources or appropriations for 2021.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

| Fund Type | Receipts | Receipts | Variance |
|-----------------|------------|-----------------|-----------------|
| General | \$0 | \$18,551 | \$18,551 |
| Special Revenue | 0 | 6,978 | 6,978 |
| Total | <u>\$0</u> | <u>\$25,529</u> | <u>\$25,529</u> |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$0 | \$21,337 | (\$21,337) |
| Special Revenue | 0 | 959 | (959) |
| Total | <u>\$0</u> | <u>\$22,296</u> | <u>(\$22,296)</u> |

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – Deposits and Investments

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 and investment accounts are as follows:

| | <u>2021</u> |
|-------------------------------------|----------------------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$56,958 |
| Certificates of deposit | <u>10,257</u> |
| Total carrying amount of deposits | <u><u>67,215</u></u> |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect all payroll expenditures.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include 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.

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and

Village of Ithaca, Ohio
Darke County

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – 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. The fund balances of special revenue funds are restricted. These restricted amounts in the special revenue funds would including any outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Village had no outstanding encumbrances at December 31, 2021.

Note 9 – Going Concern

Disbursements in the General Fund have exceeded receipts. As of December 31, 2022, the Village had a negative General Fund balance of \$5,099. Without other sources of revenue, we project the Village's financial position to worsen.

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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800-282-0370

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

Village of Ithaca
Darke County
611 Main Street
Ithaca, Ohio 45304

To the Village Council:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Ithaca, Darke County, (the Village) and have issued our report thereon dated May 28, 2024, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We did not opine on these financial statements because Management has not provided certain written representations required by Auditing Standard Section AU-C Section 580, Written Representations. We also noted the Village has suffered recurring losses from operations raising substantial doubt about its ability to continue as a going concern.

Report on Internal Control Over Financial Reporting

In planning and performing our engagement of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing engagement 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 Village'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 as items 2022-001 through 2022-005 that we consider to be material weaknesses.

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 engagement 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 as items 2022-005 through 2022-015.

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 Village's internal control or on compliance. This report is an integral part of an engagement performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2024

VILLAGE OF ITHACA
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021

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

FINDING NUMBER 2022-001

Material Weakness – Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and Council is responsible for reviewing the reconciliations and related support.

In order to assist the Council and Mayor in making informed decisions for the benefit of the Village, the Fiscal Officer should provide the Council with timely and accurate financial reports at least on a monthly basis. The Fiscal Officer was the only individual responsible for all accounting functions at the Village. Lack of oversight controls over the Fiscal Officer resulted in errors in processing accounting information remaining unnoticed. Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and expenditures have been correctly posted in the accounting system and have been correctly posted by the bank. The Fiscal Officer did not complete reconciliations from January 2021 through December 2022. An outside consultant was hired to help the Village reconcile its books and correct errors. Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions. Lack of oversight over the Village's financial reporting also increases the chances of fraud, theft, errors or omissions remaining unnoticed.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations. Variances should be investigated, documented, and corrected. In addition, Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-002

Material Weakness – Management Oversight

When designating the public office's system of internal control and specific control activities, management should plan for adequate segregation of duties or compensating controls. The Council should perform procedures to monitor the financial activity of the Village. The small size of the Village's staff did not allow for an adequate segregation of duties, the Fiscal Officer performed all accounting functions. It is, therefore, important that the Council monitor financial activity closely. Some of the meeting minutes stated the Council reviewed bills and receipts at the meeting. However, there was no consistent documentation of the extent to which the Council reviewed vouchers for payment, support for receipts, financial reports and records to monitor financial activity of the Village. This could result in unauthorized expenditures, the ledgers of the Village not being posted up-to-date, and errors and omissions occurring in the Village's annual report without the timely knowledge of the Council. Additionally, the Council did not document review or approval of the monthly bank reconciliations.

The Council should review financial information on a regular basis. This information should include vouchers for payment, reconciliations, as well as revenue and expenditure activity and balance reports. A periodic review should also be performed on the Village's cash book to gain assurances that the records are posted up-to-date, in agreement with the presented reports and reflect authorized transactions. The reviews would be documented in the minutes of the Council meetings.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-003

Material Weakness – Financial Statement Errors

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 did not have procedures in place to accurately report financial transactions in the annual financial reports. The Village's financial statements for 2021 and 2022 contained errors which resulted in reclassification and adjustments to correctly report the financial activity during the audit period as follows:

- The beginning fund cash balances for both years were incorrect. For 2021 the General Fund beginning cash balance was understated by \$10,237 and the Special Revenue Fund beginning cash balance was overstated by \$10,258. For 2022 the General Fund beginning cash balance was understated by \$9,783 and the Special Revenue Fund beginning balance was overstated by \$10,212.
- In 2021 Property and Other Local Taxes receipts was overstated by \$105, Intergovernmental receipts was overstated by \$867, Earnings on Investments receipts was understated by \$18, and Miscellaneous receipts was understated by \$500 for the General Fund.
- In 2021 Intergovernmental receipts was understated by \$46, General Government expenditures were understated by \$479, and Transportation expenditures were overstated by \$479 for the Special Revenue Funds.
- In 2022 Property and Other Local Taxes receipts was overstated by \$15, Intergovernmental receipts was understated by \$8, Earnings on Investments receipts was overstated by \$21, Miscellaneous receipts was overstated by \$9, Transportation expenditures were understated by \$3,079, and General Government expenditures were understated by \$40 for the General Fund.

**FINDING NUMBER 2022-003
(Continued)**

- In 2022 Intergovernmental receipts was overstated by \$75, Earnings on Investments receipts was understated by \$21, General Government expenditures were understated by \$52, and Transportation expenditures were overstated by \$3,039 for the Special Revenue Funds.

Failure to properly report financial activity could lead to material financial statement errors and misleading financial statement information. Policies and procedures should be developed and implemented to verify that all financial activity is reported correctly.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-004

Material Weakness – Going Concern

Management's evaluation of the Village's ability to continue as a going concern for a reasonable period of time involves making a judgment, at a particular point in time, about inherently uncertain future outcomes of conditions or events.

While the notes to the basic financial statements reflect the Village's negative General Fund balance within Note 9 titled "Going Concern", a management plan addressing how the Village will overcome the conditions leading to the Going Concern Assumption has not been established. When substantial doubt exists, management must evaluate the conditions sufficiently to support the continued use of the going-concern assumption and disclosure adequacy.

Procedures should be implemented to address operating losses. The Village's management and council should formally adopt a plan to address this negative financial condition and disclose the plan within the Village's notes to the financial statements.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-005

Material Weakness/Noncompliance – Posting Appropriations and Estimated Resources to the Accounting System

Ohio Admin. Code §117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

**FINDING NUMBER 2022-005
(Continued)**

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to approve appropriations and post appropriations or estimated resources to the financial accounting system. There is no evidence that the Village approved any appropriations or estimated resources.

Failure to properly post appropriations and estimated resources to the accounting system could result in an inability to properly monitor budgetary and actual financial activity and could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-006

Noncompliance – Negative Fund Balance

Ohio Rev. Code §5705.10(I) requires that money paid into a fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. At December 31, 2022, the General Fund had a negative cash balance of (\$5,059).

A procedure(s) and control(s), such as the Management and/or Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

The Village should monitor financial activity and implement a plan to decrease negative cash balances.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-007

Noncompliance – Certificate of Estimated Resources

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

**FINDING NUMBER 2022-007
(Continued)**

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2021 or 2022. This was not detected by the Village due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-008

Noncompliance – Annual Appropriations

Ohio Rev. Code Section 5705.38(A) states that or about the first day of each fiscal year the taxing authority of each subdivision shall pass an appropriation measure.

The Village was unable to provide documentation for their annual appropriations for the years ending December 31, 2022 and 2021. Additionally, there was no documentation of approval of appropriations in the meeting minutes.

Since the Village was unable to provide supporting documentation for the 2022 and 2021 appropriations, we could not verify that total expenditures plus contract commitments (including outstanding encumbrances) did not exceed appropriations.

Failure to approve and maintain appropriation resolutions could result in overspending of funds and the inability to properly monitor budgetary activity.

The Village should implement procedures to approve and maintain all appropriation resolutions. The Village should develop and implement procedures to properly monitor its budgetary expectations related to appropriations and actual expenditures/encumbrances. Doing so would enable the Village to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-009

Noncompliance – Purchase Order Certificates

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such 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 the 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 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from 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 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 Village.
2. **Blanket Certificate** - The fiscal officer may prepare "blanket" certificates for a certain sum of money not to exceed 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. 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 Village may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the finance director for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal control, no expenditures were certified with a certificate during 2021. During 2022 only twelve certificates were utilized (of those, three certificates were only signed by the Fiscal Officer; three certificates were not signed). Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used, and the Council should formally approve all "then and now" certifications by resolution during regular meetings within thirty days of receipt of the "then and now" purchase order if over \$3,000.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-010

Noncompliance – Federal Income Tax

26 U.S.C. §3102 states that Medicare taxes should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The Village did not withhold or remit federal income or Medicare taxes for employees during the audit period. Wages for all employees and officials totaled \$29,078 in 2022 and \$7,332 in 2021. Failure to withhold the required tax could result in penalties and interest levied against the Village and findings for recovery being issued in future audits.

The Village should withhold federal income and Medicare from all applicable officials and employees' compensation and remit payments to the Internal Revenue Service in a timely manner.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-011

Noncompliance – W-2s

26 CFR 1.6041-2 provides wages paid to an employee are required to be reported on Form W-2. During the audit period, the Village did not provide officials or employees a Form W-2 for services rendered. Wages for all employees and officials totaled \$29,078 in 2022 and \$7,332 in 2021. This error was caused by inadequate policies and procedures over the payroll process.

Failure to report payments to employees on a Form W-2 caused the officials and employees to have no Medicare or income tax withholdings. The Village should deduct proper withholdings from official and employee paychecks, distribute them to the proper agencies and report wages for all employees on Form W-2s.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-012

Noncompliance – State Income Tax

Ohio Rev. Code § 5747.06 requires the employing government to withhold state income taxes from its employees' compensation. The employing government shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively compensates or credits the compensation to the benefit of the employee. The Fiscal Officer did not withhold the required state payroll taxes for both 2021 and 2022. Failure to withhold the required tax could result in penalties and interest levied against the Village and findings for recovery being issued in future audits.

The Fiscal Officer should withhold the required taxes when calculating and disbursing payment to its employees to avoid interest and penalties.

This matter will be referred to the Ohio Department of Taxation.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-013

Finding for Recovery - Reimbursements

During 2022 the former Fiscal Officer, Charlene Flatter, was reimbursed a total of \$581 for office supplies she purchased. However, the Village did not maintain any supporting documentation for these reimbursements.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Fiscal Officer, Charlene Flatter, in the amount of \$581, and in favor of the Village of Ithaca's General Fund.

The Village should implement procedures to maintain proper supporting documentation for all reimbursements. Failure to do so could lead to the issuance of findings for recovery being issued in future audits.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-014

Finding for Recovery Repaid Under Audit - Overpayment

During the audit period the Village hired Terry Allread to mow grass, etc. Payments to Terry Allread were based upon timesheets submitted for work performed. On May 26, 2022 Terry Allread was paid \$355. However, the supporting timesheet indicated that he should have been paid \$260 (13 hours x \$20/hour). As a result, he was overpaid by \$95.

On August 22, 2022, Terry Allread was paid \$422. However, no supporting timesheet was provided by the Village. As a result, he was overpaid by \$422.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued, jointly and severally, against Terry Allread and former Fiscal Officer, Charlene Flatter, in the amount of \$517, and in favor of the Village of Ithaca's General Fund.

**FINDING NUMBER 2022-014
 (Continued)**

On May 8, 2024, Terry Allread repaid the Village \$517 via a check payable to the Village of Ithaca.

The Village should implement procedures to maintain timesheets and verify employee payroll amounts are properly calculated. All timesheets should be reviewed by a supervisor and evidence of that review should be documented. Failure to review payroll payments could result in overpayments not being detected in a timely manner and could lead to the issuance of findings for recovery being issued in future audits.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2022-015

Finding for Recovery Partially Repaid Under Audit – Council Member Overpayments

During 2021 Council members were to be paid \$20 per meeting attended. On January 17, 2022, Council approved increasing the rate to \$30 per meeting.

However, Ohio Rev. Code § 731.13 states, in part, the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

The motion to increase compensation to \$30 per meeting was made after the Council member terms had already started and this violates the prohibition on mid-term changes to compensation. Thus, Council members were only entitled to \$20 per meeting.

The Village provided meeting minutes for 8 meetings held during 2021 and 15 meetings held during 2022. The Village also did not consistently document Council member attendance in the meeting minutes. As such, Council members were overpaid as follows:

| Council Member | Total Amount Paid in 2021 | Meetings Attended per Available Minutes | Amount Based on Meeting Attendance | Amount Overpaid |
|-----------------------|----------------------------------|--|---|------------------------|
| Krickett Allread | \$800 | 5 | \$100 | \$700 |
| Mary Ray | \$400 | 6 | \$120 | \$280 |
| Larry Ray | \$400 | 6 | \$120 | \$280 |
| Barbara Rice | \$400 | 6 | \$120 | \$280 |
| Dale Dearth | \$100 | 3 | \$ 60 | \$ 40 |
| Rob Brown | \$400 | 3 | \$ 60 | \$340 |

**FINDING NUMBER 2022-015
 (Continued)**

| Council Member | Total Amount Paid in 2022 | Meetings Attended per Available Minutes | Amount Based on Meeting Attendance | Amount Overpaid |
|-----------------------|----------------------------------|--|---|------------------------|
| Krickett Allread | \$570 | 5 | \$100 | \$470 |
| Mary Ray | \$480 | 13 | \$260 | \$220 |
| Larry Ray | \$480 | 13 | \$260 | \$220 |
| Barbara Rice | \$480 | 13 | \$260 | \$220 |
| Dale Dearth | \$510 | 11 | \$220 | \$290 |

Also, Council member Dale Dearth was paid \$30 on November 18, 2021, and \$200 on November 17, 2022. There is no supporting documentation or approval for these payments.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended may be issued, jointly and severally, against Krickett Allread for \$1,170, Mary Ray for \$500, Larry Ray for \$500, Barbara Rice for \$500, Dale Dearth for \$560, Rob Brown for \$340, and former Fiscal Officer, Charlene Flatter, in the amount of \$3,570, and in favor of the Village of Ithaca's General Fund.

On April 30, 2024, the following repaid the Village the amounts noted above via a check payable to the Village of Ithaca: Mary Ray, Larry Ray, Barbara Rice, and Dale Dearth. On May 8, 2024, Krickett Allread repaid the Village the amount noted above via a check payable to the Village of Ithaca.

The Village should implement procedures to maintain meeting minutes for all Council meetings held. Council member attendance should be documented in the minutes. Failure to do so could lead to the issuance of findings for recovery being issued in future audits.

Officials' Response:

Officials did not provide a response to this finding.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ITHACA

DARKE 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 6/13/2024

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

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