

Village of Octa  
Fayette County  
Regular Audit  
For the Years Ended December 31, 2019 and 2018



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# OHIO AUDITOR OF STATE KEITH FABER



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Village Council  
Village of Octa  
8029 Allen Street NW  
Washington Court House, Ohio 43160

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, 2018 through December 31, 2019. 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:

**1) Finding for Recovery: Council Member Salary Overpayment**

*State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that expenditures made by a governmental unit should serve a public purpose.

Village Council members are to be paid \$150 per meeting and \$25 for special meetings, as authorized in the minute records on July 11, 2017.

During 2019, Council Members were paid for four special meetings, however minutes were provided for only two special meetings. Council Members were paid for special meetings on April 16, 2019, and August 27, 2019, however there are no minute records to support these meetings took place and that all Council Members were present. As a result the following Council Members were over paid by \$50 as described in the table below.

In addition, Council Member Ron Ison attended ten regular meetings, but was paid \$100 more than the authorized amount.

Council Member	Correct Pay	Amount Actual Paid	Overpayment
Dianna Anders	\$1,850	\$1,900	\$ 50
Winnie Gregory	1,850	1,900	50
Linda Turner	1,850	1,900	50
Michael Turner	1,250	1,300	50
Amanda Wickline	1,250	1,300	50
Ron Ison	1,550	1,700	150

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.

Individual	Amount of Finding for Recovery
Dianna Anders	\$ 50
Winnie Gregory	50
Linda Turner	50
Michael Turner	50
Amanda Wickline	50
Ron Ison	150
<b>Total</b>	<b>\$ 400</b>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985).

The checks issued to the council members above were authorized by Fiscal Officer Penny Johnson. Ms. Johnson and her bonding company, Travelers Casualty and Surety Company of America, will be secondarily jointly and severally liable in the amount of \$400 and in favor of the Village of Octa’s General Fund.

**2) Finding for Recovery: Supporting Documentation**

*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.

The Village did not provide supporting documentation for the following expenditures to substantiate that the payments were for a proper public purpose.

- During 2019, The Village did not provide support to document proper public purpose for one expenditure in the amount of \$500. In addition, Fiscal Officer Penny Johnson utilized Village monies to purchase gift cards in the amount of \$1,600; however, the Village could not provide any receipts for the subsequent use on these gift cards to substantiate that they were used for a proper public purpose.

- During 2018, The Village did not provide support to document proper public purpose for 24 credit card expenditures totaling \$814. Tyler Ison was responsible for credit card charges in the amount of \$739, for which detailed supporting documentation was not maintained to substantiate that payments were for a proper public purpose. Penny Johnson was responsible for credit card charges in the amount of \$75, for which detailed supporting documentation was not maintained to substantiate that the payments were for a proper public purpose

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, Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, in the amount of \$2,175 and in favor of the Village of Octa's General Fund.

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 Tyler Ison, in the amount of \$739 and in favor of the Village of Octa's Park and Recreation Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985).

The payments for the credit card expenditures that Mr. Ison was responsible for, were authorized by Fiscal Officer Penny Johnson. Ms. Johnson and her bonding company, Travelers Casualty and Surety Company of America, will be secondarily jointly and severally liable in the amount of \$739 and in favor of the Village of Octa's Park and Recreation Fund.

### **3) Finding for Recovery: Late Payments**

*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 2019 and 2018, the Village was assessed penalties and interest charges for late payments of credit card bills, debt, federal taxes, state taxes, unemployment taxes and retirement contributions. In addition, the Village also paid sales tax on some credit card transactions.

Village Council  
Village of Octa  
8029 Allen Street NW  
Washington Court House, Ohio 43160  
Page -4-

The following table details the late penalties and sales tax:

<b>Late Payment/Sales Tax</b>	<b>2019</b>	<b>2018</b>
Visa – Merchants Bank	\$ -	\$ 227
Debt – Merchants Bank	-	160
Internal Revenue Service	344	-
State of Ohio	787	750
Ohio Job & Family Services - Unemployment	100	-
Ohio Public Employees Retirement System	4	16
Sales Tax	69	53

The payment of late fees and penalties due to the inability of the Fiscal Officer to make timely payment is not a proper public purpose.

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, Fiscal Officer and her bonding company Travelers Casualty and Surety Company of America, in the amount of \$2,510 and in favor of the Village of Octa's General Fund in the amount of \$2,082 and the Park and Recreation Fund in the amount of \$428.

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

March 16, 2021

**Village of Octa  
Fayette County**  
*Table of Contents*  
*For the Years Ended December 31, 2019 and 2018*

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<u>Title</u>	<u>Page</u>
Independent Auditor’s Report.....	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2019.....	3
Notes to the Financial Statements – For the Year Ended December 31, 2019.....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2018.....	10
Notes to the Financial Statements – For the Year Ended December 31, 2018.....	11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	18
Schedule of Findings and Responses .....	20
Schedule of Prior Audit Findings.....	30

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**Independent Auditor's Report**

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Octa, Fayette County, (the Village) as of and for the years ended December 31, 2019 and 2018.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

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

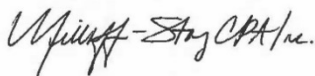
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Octa, Fayette County, as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in note 2.

***Emphasis of Matter***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2020 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio

August 25, 2020

**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, 2019*

	General Fund	Special Revenue Funds	Capital Projects Fund	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$65,746	\$44	\$0	\$65,790
Municipal Income Tax	53,057	0	0	53,057
Intergovernmental	6,398	13,507	0	19,905
Special Assessments	2,500	0	0	2,500
Fines, Licenses and Permits	345	0	0	345
Earnings on Investments	212	0	0	212
Miscellaneous	3,152	4	0	3,156
<b>Total Cash Receipts</b>	<b>131,410</b>	<b>13,555</b>	<b>0</b>	<b>144,965</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	3,590	0	0	3,590
Leisure Time Activities	1,811	6,788	0	8,599
Transportation	773	2,322	0	3,095
General Government	95,667	21,999	0	117,666
Capital Outlay	15,000	7,400	0	22,400
<b>Debt Service:</b>				
Principal Payment	3,081	3,081	0	6,162
Interest and Fiscal Charges	854	854	0	1,708
<b>Total Cash Disbursements</b>	<b>120,776</b>	<b>42,444</b>	<b>0</b>	<b>163,220</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>10,634</b>	<b>(28,889)</b>	<b>0</b>	<b>(18,255)</b>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In	0	20,500	0	20,500
Other Financing Sources	38	0	0	38
Transfers Out	(20,500)	0	0	(20,500)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(20,462)</b>	<b>20,500</b>	<b>0</b>	<b>38</b>
<b>Net Change in Fund Cash Balances</b>	<b>(9,828)</b>	<b>(8,389)</b>	<b>0</b>	<b>(18,217)</b>
<b>Fund Cash Balances, January 1</b>	<b>65,057</b>	<b>16,387</b>	<b>116</b>	<b>81,560</b>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	8,403	0	8,403
Committed	0	0	116	116
Assigned	3,982	0	0	3,982
Unassigned (Deficit)	51,247	(405)	0	50,842
<b>Fund Cash Balances, December 31</b>	<b>\$55,229</b>	<b>\$7,998</b>	<b>\$116</b>	<b>\$63,343</b>

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, 2019*

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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.

**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 (D). 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).

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 (D) permit.

**Village of Octa**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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 2019 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.

*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.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,727	\$131,448	(\$6,279)
Special Revenue	24,782	34,055	9,273
Total	\$162,509	\$165,503	\$2,994

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$145,258	(\$145,258)
Special Revenue	0	43,677	(43,677)
Total	\$0	\$188,935	(\$188,935)

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2019 was as follows:

Demand Deposits	\$63,343
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*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation.

**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.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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**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**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**Casualty and Property Insurance**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2019, PEP retained \$500,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2019:

Assets	\$54,973,597
Liabilities	<u>(16,440,940)</u>
Net Position	<u>\$38,532,657</u>

As of December 31, 2019, the liabilities above include approximately \$14.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million of unpaid claims to be billed. The Pool’s membership increased to 553 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, the Village’s share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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Contributions to PEP	
2019	\$4,324

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**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, 2019.

**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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

**Note 9 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Tractor Note	\$25,923	5.75%
Total	\$25,923	

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:



**Village of Octa**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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Year Ending December 31:	Tractor Note
2020	\$7,854
2021	7,854
2022	7,854
2023	5,236
Total	<u>\$28,798</u>

**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 – Related Party Transactions**

Ron Ison served as a Councilman during 2019. Ron Ison is the father of contract worker Tyler Ison, who worked for the Village until March 2019. The Village also purchased parcels of land from Ron Ison during 2019.

**Note 12 – Compliance**

The Village incurred late fees and penalties and had unsubstantiated expenditures which do not constitute proper public purpose. The Village adopted appropriations but did not file them with the County Auditor. The Village had budgetary expenditures in excess of appropriations during the year as well as at year end in all funds. The Ohio Revised Code requires that all property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except under certain circumstances. The Village was unable to provide various payroll-related documentation and support for employee reimbursements, and other purchases. The Village did not file the appropriate payroll returns with the State of Ohio and had unpaid tax remittances at the end of the year. The Village did not have a credit card policy or authorized user listing in place, did not appoint a compliance officer to monitor credit card usage, did not timely pay off credit card balances, and incurred interest and late fees on credit card accounts. The Village also utilized prepaid debit cards for general operations of the Village and could not provide receipts for items charged against those cards. The Village did not always properly certify the availability of funds. The Village entered into a purchase contract with a Councilman but did not consult with legal counsel or the Ohio Ethics Commission prior to finalizing the transaction for potential conflicts of interest. The Village did not timely pay federal and state taxes, unemployment taxes, or retirement contributions.

**Note 13 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In 2020, the Village sold property to a company for commercial development. The Village received \$10,618 as proceeds from this sale.

**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, 2018*

	General Fund	Special Revenue Funds	Capital Projects Fund	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$65,231	\$16	\$0	\$65,247
Municipal Income Tax	50,941	0	0	50,941
Intergovernmental	6,401	11,587	0	17,988
Earnings on Investments	278	0	0	278
Miscellaneous	2,763	310	0	3,073
<b>Total Cash Receipts</b>	<b>125,614</b>	<b>11,913</b>	<b>0</b>	<b>137,527</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	3,493	0	0	3,493
Leisure Time Activities	2,388	3,732	0	6,120
Community Environment	1,463	0	0	1,463
Transportation	52	3,174	0	3,226
General Government	118,883	11,844	0	130,727
Capital Outlay	18,630	21,215	0	39,845
<b>Debt Service:</b>				
Principal Payment	987	4,032	0	5,019
Interest and Fiscal Charges	324	406	0	730
<b>Total Cash Disbursements</b>	<b>146,220</b>	<b>44,403</b>	<b>0</b>	<b>190,623</b>
Excess of Receipts Under Disbursements	(20,606)	(32,490)	0	(53,096)
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In	0	26,260	0	26,260
Other Financing Sources	10	0	0	10
Transfers Out	(26,260)	0	0	(26,260)
Other Debt Proceeds	17,030	17,030	0	34,060
Sale of Fixed Assets	0	1,964	0	1,964
Other Financing Uses	0	(192)	0	(192)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(9,220)</b>	<b>45,062</b>	<b>0</b>	<b>35,842</b>
Net Change in Fund Cash Balances	(29,826)	12,572	0	(17,254)
Fund Cash Balances, January 1 - Restated	94,883	3,815	116	98,814
<b>Fund Cash Balances, December 31</b>				
Restricted	0	4,989	0	4,989
Committed	0	11,398	116	11,514
Assigned	12,649	0	0	12,649
Unassigned	52,408	0	0	52,408
<b>Fund Cash Balances, December 31</b>	<b>\$65,057</b>	<b>\$16,387</b>	<b>\$116</b>	<b>\$81,560</b>

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, 2018*

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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.

**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 (D). 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).

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 (D) permit.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**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 2018 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.

*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.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$157,931	\$142,654	(\$15,277)
Special Revenue	56,789	57,167	378
Total	\$214,720	\$199,821	(\$14,899)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,685	\$185,129	(\$58,444)
Special Revenue	11,800	46,588	(34,788)
Total	\$138,485	\$231,717	(\$93,232)

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2018 was as follows:

Demand Deposits	\$81,560
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*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation.

**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.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**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**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**Casualty and Property Insurance**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2018, PEP retained \$500,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position**

PEP’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018:

Assets	\$35,381,789
Liabilities	<u>(12,965,015)</u>
Net Position	<u>\$22,416,774</u>

As of December 31, 2018, the liabilities above include approximately \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$11.8 million of unpaid claims to be billed. The Pool’s membership increased to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Village’s share of these unpaid claims collectible in future years is approximately \$2,000.

**Village of Octa  
Fayette County**  
*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2018	\$3,548

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**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, 2018.

**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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Tractor Note	\$32,085	5.75%
Total	\$32,085	

In November 2011, the Village secured a promissory note for \$20,000 at 6 percent interest secured by land. The payments were for 84 months at \$293 per month beginning in December 2011. The final payment on the note was made during 2018.

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.

**Village of Octa**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

Year Ending December 31:	Tractor Note
2019	\$7,854
2020	7,854
2021	7,854
2022	7,854
2023	<u>5,236</u>
Total	<u>\$36,652</u>

**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 – Related Party Transactions**

Ron Ison served as a Councilman during 2018. Ron Ison is the father of contract worker Tyler Ison.

**Note 12 – Compliance**

The Village incurred late fees and penalties and had unsubstantiated expenditures which do not constitute proper public purpose. The Village filed appropriations with the County Auditor but did not document adoption of the appropriations in the minute record. The Village had budgetary expenditures in excess of appropriations during the year as well as at year end in the general and parks and recreation funds. The Ohio Revised Code requires that all property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except under certain circumstances. The Village was unable to provide various payroll-related documentation and support for employee reimbursements, credit card charges, and other purchases. The Village did not file the appropriate payroll returns with the State of Ohio and had unpaid tax remittances at the end of the year. The Village did not have a credit card policy or authorized user listing in place, did not appoint a compliance officer to monitor credit card usage, did not timely pay off credit card balances, and incurred interest and late fees on credit card accounts. The Village did not always properly certify the availability of funds. The Village did not timely pay federal and state taxes, unemployment taxes, or retirement contributions.

**Note 13 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In 2020, the Village sold property to a company for commercial development. The Village received \$10,618 as proceeds from this sale.



**Village of Octa**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 14 – Restatement of Beginning Balances**

An identified cash variance existed in the December 31, 2017 cash balance. This variance was researched and resolved, with the assistance of an outside consultant, correction was proposed. This correction had the following impact on previously reported fund cash balances.

	<u>General Fund</u>
As Reported, December 31, 2017	\$98,090
Restatement	<u>(3,207)</u>
As Corrected, January 1, 2018	<u>\$94,883</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  
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, the financial statements of the Village of Octa, Fayette County (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001, 2019-002, 2019-004 through 2019-010, and 2019-012 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

### **Compliance and Other Matters**

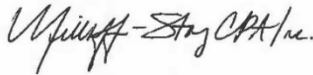
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-002, 2019-003, 2019-005, and 2019-007 through 2019-012.

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

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 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.  
Chillicothe, Ohio

August 25, 2020

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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

**Finding Number 2019-001**

**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 tax and intergovernmental revenues, miscellaneous revenues, special assessments, debt payments, nonpayroll expenditures, credit card expenditures, transfers in/out, other financing uses/sources, and fund balances. The Village also had unrecorded debt proceeds and related capital outlay in addition to unrecorded revenues and expenses that were identified during a consultant's cash reconciliation procedures. Additionally, the Village filed its 2016 note disclosures with its original 2019 Hinkle filing and significant changes were required to properly present the 2018 note disclosures. An additional consulting engagement was required to prepare the 2019 note disclosures that accompany the audited 2019 financial statement. 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:***

The things listed have been or will be corrected in 2021.

**Finding Number 2019-002**

**Noncompliance/Material Weakness – Proper Public Purpose**

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 judgment 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 memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure 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 testing of payroll disbursements, we noted that the Village was assessed penalties and interest charges for late payments of federal taxes, state taxes, unemployment taxes, and retirement contributions. The Village paid \$766 in penalties/late fees in 2018 and \$1,235 in 2019. Additionally, we noted that the Village was not compliant with debt covenants, making several late debt payments in 2018 resulting in \$160 in late charges. No late fees were noted in sampled transactions for 2019. During testing of nonpayroll disbursements, we noted the Village paid sales tax of \$11 in 2018 and \$59 in 2019. During testing of credit card transactions, we noted the Village paid late fees/finance charges of \$227 in 2018. None were noted in sampled transactions for 2019. Additionally, we noted the Village paid sales tax of \$42 in 2018 and \$10 in 2019 on these charges.

The Village should ensure that all invoices are paid by the listed due date and that all tax and retirement withholdings and contributions are paid by those respective due dates. Additionally, the Village should adopt proper control procedures to ensure that all transactions are exempt from sales tax.

***Client Response:***

This will all be corrected in 2021.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-003**

**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. During testing, we noted that the 2019 appropriation measure that was approved on February 12, 2019 but was not filed with the County Auditor. 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 also noted that an appropriations measure was filed with the County Auditor for 2018, but adoption of this measure was not documented in the minute record. Additionally, temporary appropriations were not approved for 2018 or 2019, indicating expenditure of monies without appropriations prior to adopting appropriation measures each year. The Village should implement procedures to ensure appropriation measures are adopted by the required date and are then filed with the County Auditor in a timely manner. Additionally, temporary appropriations should be passed on or before January 1 each year until a permanent appropriation measure is approved, if deemed necessary.

***Client Response:***

Village officials chose not to respond.

**Finding Number 2019-004**

**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 accounting system, we noted that the amounts within the accounting system for 2018 and 2019 estimated receipts as well as 2018 appropriations did not agree to amounts on file with the County Auditor. We also noted that beginning balances per the amended certificate did not agree to prior year audited balances for 2018 or to the accounting system for 2019. 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:***

Village officials chose not to respond.

**Finding Number 2019-005**

**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. The Village had expenditures in excess of appropriations in the General Fund, Street Construction Fund, and Park Fund in 2019, and in the General Fund and Park Fund in 2018. We also noted that appropriations measures were not adopted timely by the Village for 2018 and 2019, nor were the 2019 appropriations filed with the County Auditor. Therefore, all expenditures prior to adoption and filing with the County were also noncompliant.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-005 (Continued)**

**Noncompliance/Material Weakness – Expenditures in Excess of Appropriations (Continued)**

The Village should monitor financial activity to ensure their expenditures do not exceed the amount appropriated and 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 to ensure compliance with the Ohio Revised Code.

**Client Response:**

Village officials chose not to respond.

**Finding Number 2019-006**

**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, 2018 and 2019. This was due to several receipts and disbursements that were not recorded within the accounting system by the Fiscal Officer. The Village engaged an outside consultant to reconcile its accounts as of December 31, 2019. As of the date audit procedures were performed, the Fiscal Officer had yet to post the adjustments identified by the consultant and its other adjusting factors continue to grow. 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.

**Client Response:**

Village officials chose not to respond.

**Finding Number 2019-007**

**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 payroll disbursements, we noted that the Fiscal Officer was unable to locate state income tax returns and workers compensation reports for 2018 and 2019. Additionally, we noted that Council was paid for two special meetings for which minutes could not be provided. The Fiscal Officer was also reimbursed for expenses totaling \$110 in 2018 and \$386 in 2019 for which receipts or other supporting documentation was not maintained. In testing employee pay, we noted that the Village does not properly document projects worked on employee timesheets. This leads to unsupported pay from funds other than the general fund. Additionally, the Fiscal Officer did not maintain support for approved pay rates in employee personnel files or document pay rates in the minutes.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-007 (Continued)**

**Noncompliance/Material Weakness – Supporting Documentation (Continued)**

We also noted one nonpayroll expenditure of \$500 in 2019 in addition to credit card transactions of \$871 in 2018 for which supporting documentation could not be provided.

The Village should implement procedures to ensure that all supporting documentation is maintained and that a proper audit trail is kept.

**Client Response:**

The \$500 was for a card for an employee so he could pay for essentials for the Village.

**Finding Number 2019-008**

**Noncompliance/Material Weakness – State of Ohio Income Tax**

Ohio Revised Code Section 5747.06(A) states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

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.

Ohio Revised Code Section 5747.07(E)(2) states that in addition to other returns required to be filed and payments required to be made under this section, every employer required to deduct and withhold taxes shall file, not later than the thirty-first day of January of each year, an annual return covering, but not limited to, both the aggregate amount deducted and withheld and the aggregate amount required to be deducted and withheld during the entire preceding year for the tax imposed under section 5747.02 of the Revised Code and for each tax imposed under Chapter 5748. of the Revised Code. At the time of filing that return, the employer shall pay over any amounts of undeposited taxes for the preceding year, whether actually deducted and withheld or required to be deducted and withheld, that have not been previously paid. The employer shall make the annual report, to each employee and to the tax commissioner, of the compensation paid and each tax withheld, as the commissioner by rule may prescribe.

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.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-008 (Continued)**

**Noncompliance/Material Weakness – State of Ohio Income Tax (Continued)**

We noted that the Village posted several state income tax payments in the accounting system that remained on the Village's outstanding check listing as of December 31, 2019. We verified that these payments never cleared the bank. It does not appear that these balances were paid with the issuance of another check during the audit period. We also noted that of the payments that were made by the Village, many were made late and resulted in penalties/interest charges to the Village. Additionally, we received a copy of a notice of delinquent amounts due for tax year 2017 that we could not identify as paid as well as a notice of delinquent amounts due for tax year 2018 that was paid by the Village. The delinquent amounts due were \$2,000 and \$2,078, respectively, plus interest and penalties of \$750.38 and \$787.05, respectively. These appear to be assessments by the State based on the Village's failure to file year-end reconciliations, not necessarily accurate amounts due by the Village for withheld but unpaid taxes. We could also not confirm that the year-end reconciliation was filed for 2019. The Village should implement procedures to ensure that all income tax withholdings are paid in full by the required due date. Additionally, the Village should review its withholding practices to ensure that withholdings are reasonably substantially equivalent to the tax estimated to be due from each employee as established by the Ohio Revised Code. Further, the Village should review its 2017, 2018, and 2019 withholdings per its accounting system, compare these amounts to amounts that cleared the bank, prepare and submit annual reconciliations, and confirm that all taxes have been paid or that overpayments made are appropriately credited to the Village's account or refunded.

**Client Response:**

The fiscal officer paid no such late penalties in the amounts listed.

**Auditor Response:**

The audit team followed up with the fiscal officer to clarify the fees and penalties assessed, which were confirmed to the checks paid, and discussed with her how to contact the State to resolve the issues and seek credit or refund.

**Finding Number 2019-009**

**Noncompliance/Material Weakness – Credit Cards**

Ohio Revised Code Section 9.21 states that:

(A) not later than three months after the effective date of this section, the legislative authority of a political subdivision that holds a credit card account on the effective date of this section shall adopt a written policy for the use of credit card accounts. Otherwise, a legislative authority shall adopt a written policy before first holding a credit card account.

The policy shall include provisions addressing all of the following:

1. The officers or positions authorized to use a credit card account;
2. The types of expenses for which a credit card account may be used;
3. The procedure for acquisition, use, and management of a credit card account and presentation instruments related to the account including cards and checks;
4. The procedure for submitting itemized receipts to the fiscal officer or the fiscal officer's designee;
5. The procedure for credit card issuance, credit card reissuance, credit card cancellation, and the process for reporting lost or stolen credit cards;
6. The political subdivision's credit card account's maximum credit limit or limits;
7. The actions or omissions by an officer or employee that qualify as misuse of a credit card account.



**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-009 (Continued)**

**Noncompliance/Material Weakness – Credit Cards (Continued)**

(B) The name of the political subdivision shall appear on each presentation instrument related to the account including cards and checks.

(C) If the political subdivision's fiscal officer does not retain general possession and control of the credit card account and presentation instruments related to the account including cards and checks, the legislative authority shall appoint a compliance officer to perform the duties enumerated under division (D) of this section. The compliance officer may not use a credit card account and may not authorize an officer or employee to use a credit card account. The fiscal officer is not eligible for appointment as compliance officer.

(D) The compliance officer, if applicable, and the legislative authority at least quarterly shall review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

(E) If the fiscal officer retains general possession and control of the credit card account and presentation instruments related to the account including cards and checks, and the legislative authority authorizes an officer or employee to use a credit card account, the fiscal officer may use a system to sign out credit cards to the authorized users. The officer or employee is liable in person and upon any official bond the officer or employee has given to the political subdivision to reimburse the treasury the amount for which the officer or employee does not provide itemized receipts in accordance with the policy described in division (A) of this section.

(F) The use of a credit card account for expenses beyond those authorized by the legislative authority constitutes misuse of a credit card account. An officer or employee of the political subdivision or a public servant as defined under section 2921.01 of the Revised Code who knowingly misuses a credit card account held by the legislative authority violates section 2913.21 of the Revised Code.

(G) The fiscal officer or the fiscal officer's designee annually shall file a report with the legislative authority detailing all rewards received based on the use of the political subdivision's credit card account.

Political subdivisions, except counties with board of commissioner's approval, are not authorized to incur late fees, penalties, or interest/finance charges as a result of credit card use.

Political subdivisions, except counties with board of commissioner's approval, are not authorized to carry credit card balances past the due date.

Additional, Ohio Revised Code Section 9.22 states that no political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision except for law enforcement purposes is a violation of section 2913.21 of the Revised Code. This section does not apply to debit card accounts related to the receipt of grant moneys. According to Auditor of State Technical Bulletin 2018-003, a prepaid card is considered a debit card for purposes of this Section.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-009 (Continued)**

**Noncompliance/Material Weakness – Credit Cards (Continued)**

The Village does not have a policy governing the use of its credit cards. It also does not have an authorized user listing. The Village issued a credit card to one employee and the Fiscal Officer. However, it did not appoint a compliance officer to monitor credit card usage. The Fiscal Officer also failed to present an annual report to Council for 2018 or 2019 on the balance of its credit card rewards. The Fiscal Officer failed to pay off the statement balance for a number of months in 2018 and was assessed late penalties and interest. Additionally, we noted that the Village utilized prepaid debit cards for a Village employee in 2019. This type of card is expressly unallowable per the Ohio Revised Code. Further, the Fiscal Officer did not maintain supporting documentation for charges against these debit card balances. \$1,600 in prepaid cards were purchased in 2019.

The Village should adopt a credit card policy and an authorized user listing that complies with the requirements of the Ohio Revised Code. Additionally, the Village should appoint a compliance officer to monitor credit card usage. We also recommend that the Fiscal Officer present an annual report to Council on the balance of credit card rewards. Last, we recommend that the Village discontinue the use of prepaid debit cards and adopt proper procedures to ensure that all credit card accounts are paid off in full and that supporting documentation is maintained for credit card expenditures.

**Client Response:**

The Village just received our new credit card and authorized users and credit limits are disclosed on the monthly statement.

**Finding Number 2019-010**

**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.

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-010 (Continued)**

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

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 of \$12,589 in the General Fund and \$1,813 in the Park Fund in 2018. The Village had unrecorded encumbrances of \$2,649 in the General Fund and \$834 in the Park Fund in 2019. We also noted invoice dates preceding purchase order dates in 2018 and 2019. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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.

**Client Response:**

Village officials chose not to respond.

**Finding Number 2019-011**

**Noncompliance – Conflicts of Interest**

Ohio Revised Code Chapter 2921.42 states that:

(A) no public official shall knowingly do any of the following:

(1) Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest;

(3) During the public official's term of office or within one year thereafter, occupy any position of profit in the prosecution of a public contract authorized by the public official or by a legislative body, commission, or board of which the public official was a member at the time of authorization, unless the contract was let by competitive bidding to the lowest and best bidder;

(4) Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected;

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-011 (Continued)**

**Noncompliance – Conflicts of Interest (Continued)**

(I) As used in this section:

(1) "Public contract" means any of the following:

(a) The purchase or acquisition, or a contract for the purchase or acquisition, of property or services by or for the use of the state, any of its political subdivisions, or any agency or instrumentality of either, including the employment of an individual by the state, any of its political subdivisions, or any agency or instrumentality of either;

During the audit, we noted that Councilman Ron Ison sold five lots to the Village in 2019 for \$15,000. Per ORC 2921.42 (C)(4), it appears the transaction would be allowable if the Councilman did not participate in the Council vote. However, per review of minutes, we cannot determine whether Mr. Ison abstained from the vote as a roll call was not taken. We also noted that the Village did not consult with legal counsel or the Ohio Ethics Commission regarding the transaction, nor was an appraisal obtained to determine market value of the property.

The Village should implement procedures to ensure that contracts are not entered into with related parties without prior consultation with legal counsel or the Ohio Ethics Commission. Additionally, the Fiscal Officer and Council should ensure that due care is taken when preparing and reviewing minutes to ensure that all necessary documentation, including whether a Councilperson votes for or abstains from an action, are properly documented within the official minute record.

**Client Response:**

We notified our Solicitor and he handled everything for the Village. Mr. Ison's funds went straight to the real estate provider.

**Auditor Response:**

The audit team contacted the Village Solicitor to ask for confirmation. He responded that he informed the Village that he had a potential conflict of interest regarding Mr. Ison and that he did not render any legal opinion.

**Finding Number 2019-012**

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

IRS Publication 15 states that monthly depositors must pay employment taxes by the 15<sup>th</sup> 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.

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."

**Village of Octa  
Fayette County**  
*Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018*

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**Finding Number 2019-012**

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

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 per cent of the total remuneration reported by the employer, provided such forfeiture shall not be less than fifty nor more than one thousand dollars.

Ohio Revised Code Section 4141.23(A) states that contributions shall accrue and become payable by each employer for each calendar year or other period as prescribed by this chapter. Such contributions become due and shall be paid by each employer to the director of job and family services for the unemployment compensation fund in accordance with such regulations as the director prescribes, and shall not be deducted, in whole or in part, from the remuneration of individuals in the employer's employ.

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 multiple late payments of federal taxes, state taxes, unemployment taxes, and retirement withholdings and contributions. In addition, quarterly unemployment returns were not filed timely. Additionally, there are several payments made to the State of Ohio for state income tax that are outstanding as of December 31, 2019. 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 remain outstanding on the Village's bank reconciliations, and whether a credit is due to the Village for potential overpayments.

**Client Response:**

Village officials chose not to respond.

**Village of Octa  
Fayette County**  
*Schedule of Prior Audit Findings  
For the Years Ended December 31, 2019 and 2018*

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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>
2017-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2019-001
2017-002	Noncompliance – Ohio Revised Code Section 5705.38(A) and 5705.41(B) – Adoption of Appropriations and Expenditures in Excess of Appropriations	No	Reissued as Findings 2019-003 and 2019-005

# 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 3/30/2021**

88 East Broad 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)