



**Auditor of State
Betty Montgomery**

VILLAGE OF OCTA
FAYETTE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Octa, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 19, 2004

**VILLAGE OF OCTA
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Agency Fund</u>	
Property Tax and Other Local Taxes	\$37,573	\$0	\$0	\$0	\$0	\$37,573
Municipal Income Tax	39,629	0	0	0	0	39,629
Intergovernmental Receipts	2,797	34,109	0	0	0	36,906
Fines, Licenses, and Permits	1,358	0	0	0	0	1,358
Earnings on Investments	375	78	0	0	0	453
Miscellaneous	7,680	3,005	0	0	0	10,685
Total Cash Receipts	89,412	37,192	0	0	0	126,604
Cash Disbursements:						
Current:						
Security of Persons and Property	2,837	0	0	0	0	2,837
Public Health Services	376	0	0	0	0	376
Leisure Time Activities	763	6,782	0	0	0	7,545
Community Environment	715	0	0	0	0	715
Basic Utility Services	1,782	0	0	0	0	1,782
Transportation	1,196	3,051	0	0	0	4,247
General Government	78,720	1,385	0	0	0	80,105
Capital Outlay	804	17,256	0	0	0	18,060
Debt Service:						
Redemption of Principal	2,190	0	0	0	0	2,190
Interest and Other Fiscal Charges	317	0	0	0	0	317
Total Cash Disbursements	89,700	28,474	0	0	0	118,174
Total Receipts Over/(Under) Disbursements	(288)	8,718	0	0	0	8,430
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets	200	0	0	0	0	200
Transfers-In	64	291	0	0	0	355
Transfers-Out	(291)	0	0	0	(64)	(355)
Total Other Financing Receipts/(Disbursements)	(27)	291	0	0	(64)	200
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(315)	9,009	0	0	(64)	8,630
Fund Cash Balances, January 1	4,368	6,896	9	115	64	11,452
Fund Cash Balances, December 31	\$4,053	\$15,905	\$9	\$115	\$0	\$20,082
Reserves for Encumbrances, December 31	\$993	\$13,000	\$0	\$0	\$0	\$13,993

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

**VILLAGE OF OCTA
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Agency Fund</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$36,626	\$0	\$0	\$0	\$0	\$36,626
Municipal Income Tax	41,347	0	0	0	0	41,347
Intergovernmental Receipts	2,822	8,089	0	0	0	10,911
Fines, Licenses, and Permits	2,205	0	0	0	0	2,205
Earnings on Investments	390	122	0	0	0	512
Miscellaneous	3,518	700	0	0	0	4,218
Total Cash Receipts	86,908	8,911	0	0	0	95,819
Cash Disbursements:						
Current:						
Security of Persons and Property	337	2,500	0	0	0	2,837
Public Health Services	387	0	0	0	0	387
Leisure Time Activities	1,645	5,803	0	0	0	7,448
Basic Utility Services	1,604	0	0	0	0	1,604
Transportation	2,636	245	0	0	0	2,881
General Government	79,968	141	0	0	0	80,109
Capital Outlay	0	7,166	0	697	0	7,863
Debt Service:						
Redemption of Principal	2,047	0	0	0	0	2,047
Interest and other Fiscal Charges	460	0	0	0	0	460
Total Cash Disbursements	89,084	15,855	0	697	0	105,636
Total Receipts Over/(Under) Disbursements	(2,176)	(6,944)	0	(697)	0	(9,817)
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets	401	0	0	0	0	401
Transfers-In	0	5,087	0	0	0	5,087
Transfers-Out	(5,087)	0	0	0	0	(5,087)
Total Other Financing Receipts/(Disbursements)	(4,686)	5,087	0	0	0	401
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,862)	(1,857)	0	(697)	0	(9,416)
Fund Cash Balances, January 1	11,230	8,753	9	812	64	20,868
Fund Cash Balances, December 31	\$4,368	\$6,896	\$9	\$115	\$64	\$11,452
Reserves for Encumbrances, December 31	\$1,384	\$51	\$0	\$4	\$0	\$1,439

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

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Octa, Fayette County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services including street maintenance and park operations (leisure time activities). The Village contracts with the Fayette County Sheriff's department to provide security of persons and property.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Village Clerk invests all available funds of the Village in a public funds interest checking account with a local commercial bank. The Village pools its cash for deposit purposes to capture the highest rate of return. Interest income is distributed to Village funds based upon the Ohio Constitution.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF OCTA
FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Parks and Recreations Fund – This fund receives donations and grants for the improvement and maintenance of the Village Park.

3. **Capital Project Funds**

This fund is used to account for receipts and disbursements that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

4. **Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Unclaimed Monies Fund – This fund is used to account for assets held by the Village in a trustee capacity. The agency fund is purely custodial in nature.

E. **Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. **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 also approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. .

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. **Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unused sick leave is transferred into the Employee Benefits Fund for retirement. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2003	2002
Total deposits	\$20,082	\$11,452

Deposits: Deposits are insured by the Federal Depository Insurance Corporation for \$100,000 and collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,985	\$89,676	(\$310)
Special Revenue	39,236	37,483	(1,753)
Capital Project	0	0	0
Agency	0	0	0
Total	\$129,221	\$127,159	(\$2,062)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,853	\$90,984	\$869
Special Revenue	43,433	41,474	1,958
Capital Projects	116	0	116
Agency	64	0	64
Total	\$135,285	\$132,458	\$3,006

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (CONTINUED)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,363	\$87,309	(\$3,054)
Special Revenue	1,543	13,998	12,454
Agency	89	0	(89)
Total	\$91,995	\$101,307	\$9,312

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,590	\$95,555	\$6,035
Special Revenue	22,215	15,906	6,309
Capital Projects	812	701	111
Agency	140	0	140
Total	\$124,757	\$112,162	\$12,595

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

**VILLAGE OF OCTA
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Kubota Tractor Loan	\$2,343	6.99%

A loan was acquired in July of 1999 for the purchase of a Kubota tractor in the amount of \$10,280 at 6.99% interest. This loan is secured by the Village taxing authority.

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

	Loan Payment	Interest	Principal
Year ending December 31: 2004	\$2,506	\$163	\$2,343

7. RETIREMENT SYSTEMS

The Village's officials and full-time employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. RELATED PARTY TRANSACTIONS

The Mayor is the owner of a company the Village hired during 2003 to build a catch basin at a cost of \$600. The company was also hired to install a septic system for the Village in 2003. The Village paid \$14,900 for these services.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Octa, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 19, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting System (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated May 19, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 19, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 19, 2004

**VILLAGE OF OCTA
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30624-001	Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract without prior certification of an expenditure.	Yes	



**Auditor of State
Betty Montgomery**

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VILLAGE OF OCTA

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 24, 2004**