

VILLAGE OF UTICA

AUDIT REPORT

JANUARY 1, 2012 - DECEMBER 31, 2013

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Village Council
Village of Utica
39 Spring Street
Utica, Ohio 43080

We have reviewed the *Independent Auditors' Report* of the Village of Utica, Licking County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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 Utica is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 1, 2014

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**VILLAGE OF UTICA
LICKING COUNTY
JANUARY 1, 2012 - DECEMBER 31, 2013**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2013	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types and Fiduciary Fund Types For the Year Ended December 31, 2013	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2012	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types and Fiduciary Fund Types For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7-14
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	15
Schedule of Findings	17
Schedule of Prior Audit Findings	22

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Utica
Licking County
39 Spring Street
Utica, Ohio 43080

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Utica, Licking County, as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of 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 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 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 of Utica as of December 31, 2013 and 2012, or 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 combined cash balances of the Village of Utica, Licking County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2014, on our consideration of the Village of Utica'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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
May 16, 2014

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 73,124	\$ -	\$ -	\$ 73,124
Municipal Income Tax	466,041	75,313	-	541,354
Intergovernmental Receipts	55,266	90,854	-	146,120
Charges for Services	955	14,075	-	15,030
Fines, Licenses, and Permits	21,890	905	-	22,795
Earnings on Investments	2,591	-	-	2,591
Miscellaneous	35,826	3,292	-	39,118
Total Cash Receipts	<u>655,693</u>	<u>184,439</u>	<u>-</u>	<u>840,132</u>
Cash Disbursements				
Current:				
Security of Persons and Property	357,191	6,472	-	363,663
Public Health Services	4,927	3,163	-	8,090
Leisure Time Activities	829	-	-	829
Community Environment	-	9,352	-	9,352
Basic Utility Services	26,896	-	-	26,896
Transportation	-	134,015	-	134,015
General Government	229,824	-	-	229,824
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	851	-	26,425	27,276
Total Cash Disbursements	<u>620,518</u>	<u>153,002</u>	<u>26,425</u>	<u>799,945</u>
Total Receipts Over/(Under) Disbursements	35,175	31,437	(26,425)	40,187
Fund Cash Balances, January 1, 2013	<u>163,823</u>	<u>199,673</u>	<u>66,318</u>	<u>429,814</u>
Fund Cash Balances, December 31, 2013				
Nonspendable	-	-	-	-
Assigned	79	1,034	3,560	4,673
Restricted	-	230,076	-	230,076
Committed	-	-	36,333	36,333
Unassigned (Deficit)	198,928	-	-	198,928
Fund Cash Balances, December 31, 2013	<u>\$ 198,998</u>	<u>\$ 231,110</u>	<u>\$ 39,893</u>	<u>\$ 470,001</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 519,428	\$ -	\$ 519,428
Total Operating Cash Receipts	<u>519,428</u>	<u>-</u>	<u>519,428</u>
Operating Cash Disbursements:			
Personal Services	150,510	-	150,510
Fringe Benefits	58,213	-	58,213
Contractual Services	10,801	-	10,801
Supplies and Materials	129,555	-	129,555
Other	3,132	-	3,132
Total Operating Cash Disbursements	<u>352,211</u>	<u>-</u>	<u>352,211</u>
Operating Income/(Loss)	<u>167,217</u>	<u>-</u>	<u>167,217</u>
Non-Operating Cash Receipts:			
Loan Proceeds	212,796	-	212,796
Fines and Fees Collected	-	22,402	22,402
Total Non-Operating Cash Receipts	<u>212,796</u>	<u>22,402</u>	<u>235,198</u>
Non-Operating Cash Disbursements:			
Fines and Fees Disbursed	-	23,810	23,810
Capital Outlay	223,996	-	223,996
Debt Service-Principal	34,700	-	34,700
Total Non-Operating Cash Disbursements	<u>258,696</u>	<u>23,810</u>	<u>282,506</u>
Net Receipts Over/(Under) Disbursements	<u>121,317</u>	<u>(1,408)</u>	<u>119,909</u>
Fund Cash Balances, January 1	<u>846,653</u>	<u>2,288</u>	<u>848,941</u>
Fund Cash Balances, December 31	<u>\$ 967,970</u>	<u>\$ 880</u>	<u>\$ 968,850</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 77,865	\$ -	\$ -	\$ 77,865
Municipal Income Tax	401,216	72,082	61,877	535,175
Intergovernmental Receipts	68,668	90,240	-	158,908
Charges for Services	421	17,900	-	18,321
Fines, Licenses, and Permits	25,180	1,202	-	26,382
Earnings on Investments	1,618	-	-	1,618
Miscellaneous	164,328	1,517	-	165,845
Total Cash Receipts	<u>739,296</u>	<u>182,941</u>	<u>61,877</u>	<u>984,114</u>
Cash Disbursements				
Current:				
Security of Persons and Property	370,432	10,434	-	380,866
Public Health Services	4,500	3,278	-	7,778
Leisure Time Activities	810	-	-	810
Community Environment	211	-	-	211
Basic Utility Services	25,958	-	-	25,958
Transportation	-	93,982	-	93,982
General Government	198,914	-	-	198,914
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	1,948	63	108,955	110,966
Total Cash Disbursements	<u>602,773</u>	<u>107,757</u>	<u>108,955</u>	<u>819,485</u>
Total Receipts Over/(Under) Disbursements	136,523	75,184	(47,078)	164,629
Other Financing Receipts/(Disbursements)				
Transfers - In	-	72,104	-	72,104
Transfers - Out	(72,104)	-	-	(72,104)
Total Other Financing Receipts/(Disbursements)	<u>(72,104)</u>	<u>72,104</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	64,419	147,288	(47,078)	164,629
Fund Cash Balances, January 1, 2012, Restated	<u>99,404</u>	<u>52,385</u>	<u>113,396</u>	<u>265,185</u>
Fund Cash Balances, December 31, 2012				
Restricted	-	199,673	-	199,673
Committed	-	-	66,318	66,318
Unassigned (Deficit)	163,823	-	-	163,823
Fund Cash Balances, December 31, 2012	<u>\$ 163,823</u>	<u>\$ 199,673</u>	<u>\$ 66,318</u>	<u>\$ 429,814</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 482,525	\$ -	\$ 482,525
Total Operating Cash Receipts	<u>482,525</u>	<u>-</u>	<u>482,525</u>
Operating Cash Disbursements:			
Personal Services	145,734	-	145,734
Fringe Benefits	50,684	-	50,684
Contractual Services	9,507	-	9,507
Supplies and Materials	118,162	-	118,162
Other	2,922	2,800	5,722
Total Operating Cash Disbursements	<u>327,009</u>	<u>2,800</u>	<u>329,809</u>
Operating Income/(Loss)	<u>155,516</u>	<u>(2,800)</u>	<u>152,716</u>
Non-Operating Cash Receipts:			
Loan Proceeds	504,715	-	504,715
Fines and Fees Collected	-	35,697	35,697
Total Non-Operating Cash Receipts	<u>504,715</u>	<u>35,697</u>	<u>540,412</u>
Non-Operating Cash Disbursements:			
Fines and Fees Disbursed	-	36,933	36,933
Capital Outlay	504,715	-	504,715
Debt Service-Principal	34,700	-	34,700
Total Non-Operating Cash Disbursements	<u>539,415</u>	<u>36,933</u>	<u>576,348</u>
Net Receipts Over/(Under) Disbursements	<u>120,816</u>	<u>(4,036)</u>	<u>116,780</u>
Fund Cash Balances, January 1	<u>725,837</u>	<u>6,324</u>	<u>732,161</u>
Fund Cash Balances, December 31	<u>\$ 846,653</u>	<u>\$ 2,288</u>	<u>\$ 848,941</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Buckeye Lake, Licking County, Ohio (the Village) as a body corporate and politic. A publicly-elected seven-member council directs the Village. The Village provides park operations, police services, fire protection services, and road maintenance. The Village has contracted with Licking County to provide sewer services. On July 1, 2004 the Village passed a charter form of government. A copy of the Village's charter can be obtained from Village's Fiscal Officer.

The Village participates in the Ohio Municipal Joint Self Insurance Pool, a public entity risk pool. Note 8 to the financial statements provide additional information on this entity.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

The Village values certificates of deposits at cost.

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:

Governmental Funds

General Fund

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

Special Revenue Funds

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

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

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

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

Capital Projects Fund - This fund receives income tax revenue to make capital outlays.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Mayors Court Fund - This fund receives fines and fees levied for traffic violations as prescribed by Village Ordinance. The funds are distributed to various agencies as prescribed by the Ohio Revised Code.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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.

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. 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* 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.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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 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 ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$ 1,141,066	\$ 984,423
Certificates of Deposit	<u>297,785</u>	<u>294,332</u>
Total Deposits	<u>\$ 1,438,851</u>	<u>\$ 1,278,755</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2013 and 2012 is as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 774,233	\$ 655,693	\$ (118,540)
Special Revenue	160,214	184,439	24,225
Capital Projects	-	-	-
Enterprise	489,300	732,224	242,924
Total	<u>\$ 1,423,747</u>	<u>\$ 1,572,356</u>	<u>\$ 148,609</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 866,570	\$ 620,518	\$ 246,052
Special Revenue	234,447	153,002	81,445
Capital Project	50,000	26,425	23,575
Enterprise	527,613	610,907	(83,294)
Total	<u>\$ 1,678,630</u>	<u>\$ 1,410,852</u>	<u>\$ 267,778</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 918,958	739,296	\$ (179,662)
Special Revenue	244,221	255,045	10,824
Capital Projects	61,000	61,877	877
Enterprise	488,600	987,240	498,640
Total	<u>\$ 1,712,779</u>	<u>\$ 2,043,458</u>	<u>\$ 330,679</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,008,637	\$ 674,877	\$ 333,760
Special Revenue	175,432	107,757	67,675
Capital Projects	108,955	108,955	-
Enterprise	495,607	866,424	(370,817)
Total	<u>\$ 1,788,631</u>	<u>\$ 1,758,013</u>	<u>\$ 30,618</u>

Contrary to ORC 5705.39, the Village has funds where appropriations are greater than estimated resources.

Contrary to ORC 5705.41(B), the Village had funds where expenditures exceed appropriation authority.

Contrary to ORC 5705.41(D), the Village had purchases made prior to commitment of funds.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

4. PROPERTY TAX

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.75% 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.

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	2013 Principal	%
Ohio Public Works Commission CQ727	\$ 105,000	0.0
Ohio Public Works Commission CQ13H	56,400	0.0
Ohio Public Works Commission CT71N	717,511	0.0
Total	\$ 878,911	

The Ohio Public Works Commission (OPWC) loan CQ727 relates to the water treatment plant improvement project. The loan will be repaid in semiannual installments of \$15,000, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loan CQ13H relates to the influent pump. The loan will be repaid in semiannual installments of \$2,350, over 20 years. The loan is collateralized by water/sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loan CT71N relates to the wastewater treatment facility improvements project. The loan will be repaid in semiannual installments of \$17,938 over 20 years. The loan is collateralized by water/sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

6. DEBT (Continued)

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

Year Ending December 31	OPWC CQ727	OPWC CQ13H	OPWC CT71N
2014	\$ 30,000	\$ 4,700	\$ 35,876
2015	30,000	4,700	35,876
2016	30,000	4,700	35,876
2017	15,000	4,700	35,876
2018	-	4,700	35,876
2019-2023	-	23,500	179,380
2024-2028	-	9,400	179,380
2029-2033	-	-	179,380
	<u>\$ 105,000</u>	<u>\$ 56,400</u>	<u>\$ 717,511</u>

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Firemen's Disability and Pension Funds (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans benefits, which include postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, members of OP&F contributed 10.75% (prior to July 1, 2013 it was 10%) of their wages to OP&F. The Village contributed an amount equal to 19.5% of full-time police members' wages. PERS members contributed 10.0% of their gross salaries for 2013 and 2012, respectively. The Village contributed an amount equal to 14.0% of participant's gross salaries for 2013 and 2012, respectively. The Village has paid all contributions required through December 31, 2013.

8. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

8. RISK MANAGEMENT (Continued)

The Pool's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2013 and 2012(the latest information available).

	2013	2012
Assets	\$ 833,561	\$ 1,097,683
Liabilities	(782,525)	(791,222)
Accumulated Surplus	\$ 51,036	\$ 306,461

9. RESTATEMENT OF PRIOR YEAR FUND BALANCE

	12/31/11 Balance	Restatement	1/1/12 Restated Balance
General Fund	\$ 88,800	\$ 10,604	\$ 99,404
Special Revenue Funds	62,989	(10,604)	52,385

Per Village Ordinance, which was approved by legal counsel and approved by Village Council, the Police Fund is to be included and accounted for in the General Fund. There was never a reason to be shown separately as no special monies were received that would require a special revenue fund.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Village of Utica
Licking County
39 Spring Street
Utica, Ohio 43080

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Utica as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated May 16, 2014, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiencies in internal control over financial reporting, that we consider a material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2013-01 through 2013-03 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Utica's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-01 and 2013-02.

We noted certain matters not requiring inclusion in this report that we have reported to the management of Village of Utica in a separate letter dated May 16, 2014.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
May 16, 2014

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-01

Material Weakness - Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any 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.

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.

- 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution "Then and Now" Certificates. Amounts 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 the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. The Village 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-01 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 38% of expenditures tested. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 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 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: Are currently using “Then and Now” Certificates and Blanket Purchase orders and this citation should be significantly reduced moving forward.

FINDING NUMBER 2013-02

Material Weakness – Noncompliance Expenditures exceeding Appropriations

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had the following funds which had expenditures greater than appropriation authority.

		Appropriation			
Fund	Year	Authority	Expenditures	Variance	
Sewer Fund	2013	\$ 247,100	\$ 417,510	\$ (170,510)	
Sewer Fund	2012	190,000	672,762	(482,762)	

We recommend Council review expenditures versus appropriation authority throughout the year. Also, Council should not approve expenditures greater than appropriations. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

Client Response: This citation is due to Finding 2013-03 and since we now are aware of how to handle on-behalf-of payments, this should not happen again.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-03

Material Weakness – On-Behalf-Of payments not recorded

Auditor of State Bulletin 2000-08 provides the recommended accounting treatment for on-behalf of grants or capital improvement projects. When a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Village was awarded a loan with the Ohio Public Works Commission to improve the wastewater treatment facility of \$717,511. This money was paid directly to the vendors by the Ohio Public Works Commission. This activity was not recorded on the Villages financial records nor included in its budgetary calculations. We adjusted the statements to reflect this activity.

Not recording this on-behalf-of activity on the Village financial records could result in an understatement of revenue and expenditures which in turn could result in inaccurate reporting and inaccurate budget numbers.

We recommend the Village be aware of receiving on-behalf-of grant or capital improvement projects from the State and Federal government, that the guidance of Auditor of State Bulletin 2000-08 is followed so the proper accounting treatment can be applied to the transaction.

Client Response: We will follow the guidance of Auditor of State Bulletin 2000-08.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	Income Tax Collections and Deposits	Yes	Finding No Longer Valid
2011-02	ORC 5705.39 Appropriations greater than estimated resources	No	Partially Corrected: included in Management Letter
2011-03	ORC 5705.41(B) Expenditures cannot exceed appropriations	No	Not Corrected: Stated as Finding Number 2013-02 in current report
2011-04	ORC 5705.41(D) Prior certification of availability not done	No	Not Corrected: Stated as Finding Number 2013-01 in current report
2011-05	Transfers	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

VILLAGE OF UTICA

LICKING 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
JULY 15, 2014