



Dave Yost • Auditor of State

VILLAGE OF UTICA
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
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, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
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, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	24

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

August 24, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Utica, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Utica, Licking County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the entity adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 24, 2012

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 70,083	\$ -	\$ -	\$ 70,083
Municipal Income Tax	274,577	213,028	35,488	523,093
Intergovernmental	94,544	102,481	48,944	245,969
Charges for Services	925	6,279	-	7,204
Fines, Licenses and Permits	49,211	965	-	50,176
Earnings on Investments	2,426	-	-	2,426
Miscellaneous	13,651	4,389	-	18,040
	<u>505,417</u>	<u>327,142</u>	<u>84,432</u>	<u>916,991</u>
Cash Disbursements				
Current:				
Security of Persons and Property	24,071	397,660	-	421,731
Public Health Services	4,901	2,094	-	6,995
Leisure Time Activities	664	-	-	664
Community Environment	7,194	-	-	7,194
Transportation	-	118,105	-	118,105
General Government	240,762	945	-	241,707
Capital Outlay	-	-	48,944	48,944
Debt Service:				
Principal Retirement	-	7,247	-	7,247
Interest and Fiscal Charges	-	504	-	504
	<u>277,592</u>	<u>526,555</u>	<u>48,944</u>	<u>853,091</u>
Total Cash Disbursements	<u>277,592</u>	<u>526,555</u>	<u>48,944</u>	<u>853,091</u>
Excess of Receipts Over (Under) Disbursements	<u>227,825</u>	<u>(199,413)</u>	<u>35,488</u>	<u>63,900</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	7,000	-	-	7,000
Transfers In	1,618	629,849	-	631,467
Transfers Out	(629,062)	(1,618)	(787)	(631,467)
	<u>(620,444)</u>	<u>628,231</u>	<u>(787)</u>	<u>7,000</u>
Total Other Financing Receipts (Disbursements)	<u>(620,444)</u>	<u>628,231</u>	<u>(787)</u>	<u>7,000</u>
Net Change in Fund Cash Balances	(392,619)	428,818	34,701	70,900
Fund Cash Balances, January 1	481,419	(365,829)	78,698	194,288
Fund Cash Balances, December 31				
Restricted	-	91,382	-	91,382
Committed	-	11,066	113,399	124,465
Assigned	-	-	-	-
Unassigned (Deficit)	88,800	(39,459)	-	49,341
	<u>88,800</u>	<u>(39,459)</u>	<u>-</u>	<u>49,341</u>
Fund Cash Balances, December 31	<u>\$ 88,800</u>	<u>\$ 62,989</u>	<u>\$ 113,399</u>	<u>\$ 265,188</u>

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

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 497,051	\$ -	\$ 497,051
Operating Cash Disbursements			
Personal Services	183,572	-	183,572
Employee Fringe Benefits	31,570	-	31,570
Contractual Services	75,663	-	75,663
Supplies and Materials	47,950	-	47,950
Other	36,614	-	36,614
<i>Total Operating Cash Disbursements</i>	<u>375,369</u>	<u>-</u>	<u>375,369</u>
<i>Operating Income (Loss)</i>	<u>121,682</u>	<u>-</u>	<u>121,682</u>
Non-Operating Receipts (Disbursements)			
Fines Collected	-	37,544	37,544
Fines Disbursed	-	(40,382)	(40,382)
Principal Retirement	(34,700)	-	(34,700)
Other Financing Sources	-	2,800	2,800
Other Financing Uses	-	(247)	(247)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(34,700)</u>	<u>(285)</u>	<u>(34,985)</u>
<i>Income (Loss) before Transfers</i>	86,982	(285)	86,697
Transfers In	15,163	-	15,163
Transfers Out	(15,163)	-	(15,163)
<i>Net Change in Fund Cash Balances</i>	86,982	(285)	86,697
<i>Fund Cash Balances, January 1</i>	<u>638,855</u>	<u>6,609</u>	<u>645,464</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 725,837</u>	<u>\$ 6,324</u>	<u>\$ 732,161</u>

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

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$ 65,020	\$ -	\$ -	\$ 65,020
Municipal Income Tax	254,439	196,300	32,702	483,441
Intergovernmental	102,349	108,952	-	211,301
Charges for Services	-	58,853	-	58,853
Fines, Licenses and Permits	74,962	10	-	74,972
Earnings on Investments	7,048	-	-	7,048
Miscellaneous	4,118	900	-	5,018
	<u>507,936</u>	<u>365,015</u>	<u>32,702</u>	<u>905,653</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	22,243	417,435	-	439,678
Public Health Services	4,912	12,184	-	17,096
Leisure Time Activities	512	-	-	512
Community Environment	19,473	-	-	19,473
Transportation	-	171,560	9,340	180,900
General Government	234,244	-	-	234,244
Capital Outlay	-	12,183	-	-
Debt Service:				
Principal	-	13,230	-	13,230
Interest	-	1,300	-	1,300
	<u>281,384</u>	<u>627,892</u>	<u>9,340</u>	<u>906,433</u>
Total Receipts Over/(Under) Disbursements	<u>226,552</u>	<u>(262,877)</u>	<u>23,362</u>	<u>(12,963)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	-	274,683	-	274,683
Transfers-Out	<u>(274,683)</u>	<u>-</u>	<u>-</u>	<u>(274,683)</u>
Total Other Financing Receipts / (Disbursements)	<u>(274,683)</u>	<u>274,683</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(48,131)	11,806	23,362	(12,963)
Fund Cash Balances, January 1 - Restated	<u>529,550</u>	<u>(377,635)</u>	<u>55,336</u>	<u>207,251</u>
Fund Cash Balances, December 31	<u>\$ 481,419</u>	<u>\$ (365,829)</u>	<u>\$ 78,698</u>	<u>\$ 194,288</u>

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

**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, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 755,722	\$ -	\$ 755,722
Operating Cash Disbursements:			
Personal Services	221,774	-	221,774
Employee Fringe Benefits	27,187	-	27,187
Contractual Services	85,268	-	85,268
Supplies and Materials	33,393	-	33,393
Other	10,453	-	10,453
Total Operating Cash Disbursements	<u>378,075</u>	<u>-</u>	<u>378,075</u>
Operating Income/(Loss)	<u>377,647</u>	<u>-</u>	<u>377,647</u>
Non-Operating Cash Receipts:			
Fines Collected	-	50,692	50,692
Other Non-Operating Cash Receipts	-	7,529	7,529
Total Non-Operating Cash Receipts	<u>-</u>	<u>58,221</u>	<u>58,221</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	104,280	-	104,280
Interest and Other Fiscal Charges	4,842	-	4,842
Fines Disbursed	-	58,316	58,316
Other Non-Operating Cash Disbursements	-	7,529	7,529
Total Non-Operating Cash Disbursements	<u>109,122</u>	<u>65,845</u>	<u>116,651</u>
Net Receipts Over/(Under) Disbursements	268,525	(7,624)	319,217
Fund Cash Balances, January 1	<u>370,330</u>	<u>14,233</u>	<u>384,563</u>
Fund Cash Balances, December 31	<u>\$ 638,855</u>	<u>\$ 6,609</u>	<u>\$ 645,464</u>
Reserve for Encumbrances, December 31	<u>\$ 14,179</u>	<u>\$ -</u>	<u>\$ 14,179</u>

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

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Utica, Licking County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including water and sewer utilities, park operations, and police services.

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. Accounting Basis

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 the Auditor of State prescribes or permits.

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 deposit 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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

VILLAGE OF UTICA
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

D. **Fund Accounting (Continued)**

2. **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.

Police Fund – This fund receives income tax revenue and General Fund transfers to provide police services for the Village.

3. **Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Projects Fund – This fund receives income tax revenue to make capital outlay purchases.

4. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services 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.

5. **Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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's agency funds account for Mayors Court activities and insurance holdings.

VILLAGE OF UTICA
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

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.

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 Village 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 individual 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 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF UTICA
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

F. **Fund Balance (Continued)**

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **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.

5. **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.

G. **Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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 Deposits**

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

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Equity in Pooled Deposits (Continued)

	2011	2010
Demand deposits	\$702,676	\$546,569
Certificates of deposit	294,673	293,183
Total deposits	\$997,349	\$839,752

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund-Type	Estimated Receipts	Actual Receipts	Variance
General	\$59,002	\$514,035	\$455,033
Special Revenue	751,417	956,991	206,574
Capital Projects	68,323	84,432	16,109
Enterprise	524,758	512,184	(12,574)
Total	\$1,403,530	\$2,067,672	\$664,142

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund-Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$313,760	\$906,654	(\$592,894)
Special Revenue	545,995	528,173	17,822
Capital Projects	0	49,731	(49,731)
Enterprise	500,109	425,232	74,877
Total	\$1,359,864	\$1,909,790	(\$549,926)

2010 Budgeted vs. Actual Receipts			
Fund-Type	Estimated Receipts	Actual Receipts	Variance
General	\$481,099	\$507,936	\$26,837
Special Revenue	292,680	639,698	347,018
Capital Projects	38,000	32,702	(5,298)
Enterprise	766,996	755,722	(11,274)
Total	\$1,578,775	\$1,936,058	\$357,283

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund-Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$327,115	\$556,067	(\$228,952)
Special Revenue	672,747	627,892	44,855
Capital Projects	96,110	9,340	81,222
Enterprise	544,424	501,376	43,048
Total	\$1,634,848	\$1,694,675	(\$59,827)

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, appropriations exceeded estimated resources in the Police fund (\$192,896) at December 31, 2011 and in the Street (\$88,355), Cemetery (\$10,160), Police (\$229,497), Dare (\$25,459) and Capital Projects funds (\$2,774) at December 31, 2010.

Also, contrary to Ohio law, expenditures exceeded appropriations in the General fund (\$592,894), Capital Projects (\$49,731), and Wastewater fund (\$12,388) at December 31, 2011 and in the General (\$228,952) and Police fund (\$33,311) at December 31, 2010.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 pay semiannually, 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 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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission CQ727	\$ 165,000	0%
Ohio Public Works Commission CQ13H	\$ 65,800	0%
	<u>\$ 230,800</u>	

The Ohio Public Works Commission (OPWC) loan CQ727 relates to the water treatment plant improvement project. This loan will be repaid in semiannual installments of \$15,000 over the remaining six years. The loan is collateralized by water 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, 2011 AND 2010
(Continued)**

6. Debt (Continued)

The OPWC loan CQ13H relates to the influent pump. The loan will be repaid in semiannual installments of \$2,350 over the remaining 14 years. The loan is collateralized by water/sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

Year ending December 31:	<u>OPWC Loan</u>
2012	\$34,700
2013	\$34,700
2014	\$34,700
2015	\$34,700
2016	\$34,700
2017-2021	\$36,150
2022-2025	<u>\$21,150</u>
Total	<u>\$230,800</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

8. Risk Management

Risk Pool Membership

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 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 December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

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, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$ 2,109,514
Liabilities	<u>(1,656,732)</u>	<u>(1,920,839)</u>
Accumulated deficit	<u>\$293,435</u>	<u>\$188,675</u>

9. Fiscal Year 2010 Negative Balance

The Village has a deficit fund balance of \$365,829 in the Special Revenue Fund-Type at December 31, 2010. The deficit balance was primarily a result of audit adjustments related to the previous audit. In 2011, the Village approved transfers from the General Fund to cover the deficit balances.

10. Restatement of Prior Year Fund Balance

	12/31/2009 Balance	Restatement	1/1/2010 Restated Balance
Special Revenue Funds	(\$390,998)	\$13,363	(\$377,635)
Permanent Funds	13,363	(13,363)	0

The restatement was done to comply with the Auditor of State requirement stated in Bulletin 2005-005. The Cemetery Endowment Fund does not meet the requirements set forth in this Bulletin as a Permanent fund and was therefore reclassified into the Special Revenue Funds.

11. Subsequent Events

The Village entered into an OPWC loan for an approved amount of \$953,420 in July 2010. No withdrawals have been made to date on this loan. The loan is for Wastewater Treatment facility improvements.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Utica, Licking County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 24, 2012, 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. We also noted the Village adopted Government Accounting Standard No. 54 in 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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 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 timely corrected. We consider finding 2011-05 described in the accompanying schedule of findings to be a material weakness.

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 finding 2011-01 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items finding 2011-02 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 24, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the finance committee, Village Council and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 24, 2012

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

Income Tax Collections and Deposits – Significant Deficiency

Timely posting of receipts gives management the ability to properly monitor the Village's receipts and overall financial condition. It also assists in the month-end reconciliation process to limit the number of reconciling items between the Village's books and the Village's bank accounts. The Village does not have policies or procedures in place over income tax collections, posting and depositing.

The Village finance department collected income tax returns and receipts at the Village office. Income tax returns were set aside to be posted at a later date, however the receipts were posted (in aggregate) on a timely basis and subsequently deposited on a timely basis (in aggregate). Therefore we were unable to trace individual income tax returns through the entire receipt process; however, we were able to determine receipts collected were posted to the accounting system, in aggregate.

The ability to reconcile individual transactions between the Income tax accounting system and the Village's accounting system is essential to assure the prompt recording and depositing of receipts including tax payments made with cash. The timing of the posting of income tax returns to the accounting system has led to a difficult and lengthy process by management to properly monitor the collection, posting and reporting of income tax receipts.

We recommend the Village adopt a procedures manual over collecting, posting and reporting of income tax returns. We would also suggest timely postings of income tax returns and monthly reconciliations between the amounts posted for the month on the Village's income tax software versus the amount posted on the Village's accounting software. We recommend that monthly income tax reports, including a delinquent report, be reviewed by the Village Council on a monthly basis. The income tax reports should indicate total cash and checks received and be reconciled to deposits by someone independent of the receipt process to assure all checks and cash are deposited. The Village should consult the provider of the income tax software to assure the software is utilized in a manner that individual transactions can be tracked from collection to deposit by day.

Official's Response: Steps have been implemented to ensure a more timely posting of receipts.

FINDING NUMBER 2011-02

Appropriations exceeding estimated resources – Material Noncompliance

Ohio Rev. Code 5705.39 provides in part that the total appropriations from each fund shall not exceed the estimated resources available for expenditure as certified by the budget commission.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-02 (Continued)

Appropriations exceeding estimated resources – Material Noncompliance (Continued)

As of December 31, 2011, the Village had appropriations exceeding estimated resources available for expenditure in the following fund:

Fund	Total Certified Resources	Appropriations	Variance
Police	\$ 183,000	\$ 375,896	\$ (192,896)

Also, as of December 31, 2010, the Village had appropriations exceeding estimated resources available for expenditure in the following funds:

Fund	Total Certified Resources	Appropriations	Variance
Street	\$ 126,200	\$ 214,555	\$ (88,355)
Cemetery	\$ 2,500	\$ 12,660	\$ (10,160)
Police	\$ 135,000	\$ 364,497	\$ (229,497)
DARE	\$ 24,566	\$ 50,025	\$ (25,459)
Capital Projects	\$ 93,336	\$ 96,110	\$ (2,774)

To avoid overspending and deficit balances, we recommend that the Fiscal Officer review the amended certificate of estimated resources and supplemental appropriation measures on a periodic basis to ensure that total appropriations from each fund do not exceed the total certified resources available for expenditure.

Official's Response: New appropriations ordinance is in place to eliminate this issue.

FINDING NUMBER 2011-03

Expenditures exceeding appropriations – Material Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the object level.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-03 (Continued)

Expenditures exceeding appropriations – Material Noncompliance (Continued)

Budgetary expenditures exceeded appropriations for the year ended December 31, 2011 in the following funds:

Fund	Appropriations	Expenditures	Variance
General Fund	\$ 279,859	\$ 879,654	\$ (592,894)
Capital Projects	\$ -	\$ 49,731	\$ (49,731)
Wastewater	\$ 184,650	\$ 197,038	\$ (12,388)

Also, budgetary expenditures exceeded appropriations for the year ended December 31, 2010 in the following funds:

Fund	Appropriations	Expenditures	Variance
General Fund	\$ 327,115	\$ 556,067	\$ (228,952)
Police	\$ 364,497	\$ 397,808	\$ (33,311)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and could result in deficit spending.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. The Fiscal Officer should also review appropriations against estimated receipts on a periodic basis to assure expenditures are within appropriations.

Official's Response: Adjustments by the Auditors from prior years were not properly updated with appropriate budgetary adjustments.

FINDING NUMBER 2011-04

Prior Certification – Material Noncompliance

Ohio Rev. Code Section § 5705.41(D)(1) prohibits a subdivision or taxing entity 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 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due therein.

There are several exceptions to the standard requirement stated above that the Fiscal Officer 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.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-04 (Continued)

Prior Certification – Material Noncompliance (Continued)

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 Fiscal Officer can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Village.

2. Blanket Certificate – The Fiscal Officer 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 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 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 Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for thirteen of twenty two (59%) of the expenditures tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Fiscal Officer 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 appropriation code, to reduce the available appropriation.

Official’s Response: Corrected this by using Then/Now purchase orders and Blanket purchase orders.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-05

Transfers – Material Weakness/Material Noncompliance

Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Revised Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. Ohio Revised Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds. Ag. Op. No 89-075. Additionally, pursuant to Ohio Rev. Code Sections 5705.15 and 5705.16, the taxing authority of any political subdivision, with the approval of the Court of Common Pleas may transfer from one fund to another any public funds under its supervision, **except** the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of any license fees imposed by law for a specified purpose; and the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

The Auditor of State recently concluded that once a government deposits unrestricted money into a fund with a restriction, it **is** restricted money subject to Ohio Rev. Code Sections 5705.14 - .16. For example, a subdivision may have enacted a resolution allocating unrestricted income taxes to a permanent improvement fund. Once the income tax fund receipts the income taxes collected under this authority, the income tax money is now restricted to permanent improvements.

In fiscal year 2011, the Village made several transfers from the Capital Projects Fund, a restricted fund, to the Cemetery, Street and General funds. The transfers were determined to be contrary to the above Ohio Revised Code Sections and adjustments were made to return the funds to the Capital Projects Fund. The following funds have been affected in the following ways:

	Amount
General Fund	(\$51,886)
Street	(\$50,000)
Cemetery	(\$7,000)
Capital Projects	\$108,866

We recommend the Village Council comply with the Ohio Revised Code ensure all transfers are legal, approved by the Village Council in session and be documented in detail in the Council’s minutes.

The Village’s financial statements and accounting records appropriately reflect the above audit adjustments.

Official’s Response: Making a change in the ordinance to put the percentage that is put into Capital under the General Fund.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2009-01	Public monies illegal expended – No supporting documentation – Finding for Recovery/Noncompliance/Material Weakness	Not Corrected	Finding remains unpaid, however the case has currently been dismissed by the court.
Finding 2009-02	Collected but unaccounted for – Income Tax Receipts – Finding for Recovery/Noncompliance/Significant Deficiency.	Not Corrected	Finding remains unpaid, however the case has currently been dismissed by the court.
Finding 2009-03	Funds collected but unaccounted for – Escrow Account – Finding for Recovery/Noncompliance/Significant Deficiency	Not Corrected	Finding remains unpaid, however the case has currently been dismissed by the court.
Finding 2009-04	Permanent Appropriations – Noncompliance	Partially	Reissued as Finding 2011-03
Finding 2009-05	Prior Certification of Funds – Noncompliance	No	Reissued as Finding 2011-04
Finding 2009-06	Transfers – Noncompliance/Material Weakness	No	Reissued as Finding 2011-05
Finding 2009-07	Appropriations exceeding estimated resources – noncompliance	No	Reissued as Finding 2011-02
Finding 2009-08	Income Tax Collections – Significant Deficiency	No	Reissued as Finding 2011-01
Finding 2009-09	General Bank Account Reconciliations – Material Weakness	Partially	Reissued in Management Letter



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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
OCTOBER 18, 2012