



Dave Yost • Auditor of State

VILLAGE OF UTICA
LICKING COUNTY

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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.

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

Dave Yost
Auditor of State

June 23, 2011

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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, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, 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 and reserves for encumbrances of the Village of Utica, Licking County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 10 to the financial statements, the Village has suffered recurring losses from operations and has a negative Special Revenue Fund-Type balance. Note 10 describe Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011, 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.



Dave Yost
Auditor of State

June 23, 2011

**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, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$ 84,353	\$ -	\$ -	\$ -	\$ 84,353
Municipal Income Tax	294,646	224,676	39,380	-	558,702
Intergovernmental	83,108	106,374	-	-	189,482
Charges for Services	770	1,868	-	675	3,313
Fines, Licenses and Permits	55,529	100	-	-	55,629
Earnings on Investments	5,482	-	-	-	5,482
Miscellaneous	730	1,152	-	-	1,882
Total Cash Receipts	<u>524,618</u>	<u>334,170</u>	<u>39,380</u>	<u>675</u>	<u>898,843</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	20,320	414,549	-	-	434,869
Public Health Services	7,713	10,797	-	-	18,510
Leisure Time Activities	1,281	-	-	-	1,281
Community Environment	1,373	22,728	-	-	24,101
Transportation	-	185,971	-	-	185,971
General Government	188,684	-	-	-	188,684
Debt Service:					
Redemption of Principal	-	12,481	-	-	12,481
Interest and Fiscal Charges	-	2,046	-	-	2,046
Capital Outlay	-	-	44,600	-	44,600
Total Cash Disbursements	<u>219,371</u>	<u>648,572</u>	<u>44,600</u>	<u>-</u>	<u>912,543</u>
Total Receipts Over/(Under) Disbursements	<u>305,247</u>	<u>(314,402)</u>	<u>(5,220)</u>	<u>675</u>	<u>(13,700)</u>
Other Financing Receipts / (Disbursements):					
Other Financing Uses	<u>(10,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,241)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	295,006	(314,402)	(5,220)	675	(23,941)
Fund Cash Balances, January 1	<u>234,544</u>	<u>(76,596)</u>	<u>60,556</u>	<u>12,688</u>	<u>231,192</u>
Fund Cash Balances, December 31	<u>\$ 529,550</u>	<u>\$ (390,998)</u>	<u>\$ 55,336</u>	<u>\$ 13,363</u>	<u>\$ 207,251</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, 2009**

	<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	\$ 484,873	\$ -	\$ 484,873
Operating Cash Disbursements:			
Personal Services	222,191	-	222,191
Contractual Services	27,183	-	27,183
Supplies and Materials	118,656	-	118,656
Other	382	-	382
Total Operating Cash Disbursements	<u>368,412</u>	<u>-</u>	<u>368,412</u>
Operating Income/(Loss)	<u>116,461</u>	<u>-</u>	<u>116,461</u>
Non-Operating Cash Receipts:			
Fines Collected	-	32,495	
Non-Operating Cash Disbursements:			
Redemption of Principal	48,810	-	48,810
Interest and Other Fiscal Charges	4,638	-	4,638
Fines Disbursed	-	23,579	23,579
Other Non-Operating Cash Disbursements	2,886	-	2,886
Total Non-Operating Cash Disbursements	<u>56,334</u>	<u>23,579</u>	<u>79,913</u>
Net Receipts Over/(Under) Disbursements	60,127	8,916	36,548
Fund Cash Balances, January 1	<u>310,203</u>	<u>5,317</u>	<u>315,520</u>
Fund Cash Balances, December 31	<u>\$ 370,330</u>	<u>\$ 14,233</u>	<u>\$ 384,563</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, 2008**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$ 81,839	\$ -	\$ -	\$ -	\$ 81,839
Municipal Income Tax	208,647	262,186	78,171	-	549,004
Intergovernmental	86,049	124,618	-	-	210,667
Charges for Services	-	8,683	-	562	9,245
Fines, Licenses and Permits	32,057	435	-	-	32,492
Earnings on Investments	18,048	1,824	-	-	19,872
Miscellaneous	13,471	34,044	-	-	47,515
	<u>440,111</u>	<u>431,790</u>	<u>78,171</u>	<u>562</u>	<u>950,634</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	11,005	414,061	-	-	425,066
Public Health Services	2,098	-	-	-	2,098
Leisure Time Activities	2,943	-	-	-	2,943
Community Environment	229	25,000	-	-	25,229
Basic Utility Service	-	3,075	-	-	3,075
Transportation	-	163,853	-	-	163,853
General Government	262,633	10,835	-	-	273,468
Debt Service:					
Redemption of Principal	5,836	31,618	-	-	37,454
Interest and Fiscal Charges	924	680	-	-	1,604
Capital Outlay	440	23,994	45,000	-	69,434
	<u>286,108</u>	<u>673,116</u>	<u>45,000</u>	<u>-</u>	<u>1,004,224</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	154,003	(241,326)	33,171	562	(53,590)
Fund Cash Balances, January 1 - Restated	80,541	164,730	27,385	12,126	284,782
Fund Cash Balances, December 31	<u>\$ 234,544</u>	<u>\$ (76,596)</u>	<u>\$ 60,556</u>	<u>\$ 12,688</u>	<u>\$ 231,192</u>
Reserve for Encumbrances, December 31	<u>\$ 422</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 647</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, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 512,805	\$ -	\$ 512,805
Operating Cash Disbursements:			
Personal Services	177,492	-	177,492
Contractual Services	48,976	-	48,976
Supplies and Materials	60,127	-	60,127
Other	87,937	-	87,937
Total Operating Cash Disbursements	<u>374,532</u>	<u>-</u>	<u>374,532</u>
Operating Income/(Loss)	<u>138,273</u>	<u>-</u>	<u>138,273</u>
Non-Operating Cash Receipts:			
Fines Collected	-	21,679	-
Non-Operating Cash Disbursements:			
Capital Outlay	7,520	-	7,520
Redemption of Principal	98,138	-	98,138
Interest and Other Fiscal Charges	11,767	-	11,767
Fines Disbursed	-	18,454	-
Total Non-Operating Cash Disbursements	<u>117,425</u>	<u>18,454</u>	<u>117,425</u>
Net Receipts Over/(Under) Disbursements	20,848	3,225	20,848
Fund Cash Balances, January 1	<u>289,355</u>	<u>2,092</u>	<u>291,447</u>
Fund Cash Balances, December 31	<u>\$ 310,203</u>	<u>\$ 5,317</u>	<u>\$ 315,520</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, 2009 AND 2008**

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 for 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 in fund balances. 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 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, 2009 AND 2008
(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 to construct, maintain, and repair 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. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Fund:

Cemetery Endowment Fund - This fund receives a portion of cemetery lot sales and burial fees to pay for the general maintenance and upkeep of the Village's cemetery.

5. 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.

Debt Service Water and Debt Service Sewer Funds - These funds receive utility surcharges to pay off loan proceeds received from the Ohio Water Development Authority and the Ohio Public Works Commission that were used to fund utility plant expansions.

VILLAGE OF UTICA
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

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

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

Equipment Fee Fund – This fund receives a utility surcharge to pay off capital outlay purchases for utility service.

6. Fiduciary Fund

Fiduciary fund 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 fund accounts for Mayor's Court activities.

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 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

G. 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 and Investments

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

	2009	2008
Demand deposits	\$254,549	\$212,410
Certificates of deposit	337,265	334,302
Total deposits	\$591,814	\$546,712

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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$426,332	\$524,618	\$98,286
Special Revenue	591,709	334,170	(257,539)
Capital Projects	0	39,380	39,380
Permanent	2,000	675	(1,325)
Enterprise	505,200	484,873	(20,327)
Total	\$1,525,241	\$1,383,716	(\$141,525)

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$747,413	\$229,612	\$517,801
Special Revenue	551,709	648,572	(96,863)
Capital Projects	40,000	44,600	(4,600)
Permanent	2,000	0	2,000
Enterprise	443,000	424,746	18,254
Total	<u>\$1,784,122</u>	<u>\$1,347,530</u>	<u>\$436,592</u>

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$340,105	\$440,111	\$100,006
Special Revenue	330,375	431,790	101,415
Capital Projects	81,108	78,171	(2,937)
Permanent	2,000	562	(1,438)
Enterprise	525,551	512,805	(12,746)
Total	<u>\$1,279,139</u>	<u>\$1,463,439</u>	<u>\$184,300</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$286,530	(\$286,530)
Special Revenue	0	673,141	(673,141)
Capital Projects	0	45,000	(45,000)
Permanent	0	200	(200)
Enterprise	0	491,957	(491,957)
Total	<u>\$0</u>	<u>\$1,496,828</u>	<u>(\$1,496,828)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds in fiscal year 2008 and in the following funds in fiscal year 2009: Street (\$39,025), State Highway (\$4,442), Cemetery (\$797), Police (\$23,456), DARE (\$36,532), Capital Projects (\$4,600), Water (\$9,667), Sewer (\$59,930) and Wastewater Construction (\$6,814).

Also contrary to Ohio Law, appropriations exceeded estimated resources in the following funds in fiscal year 2009: General (\$258,220) and Sewer Debt (\$10,687).

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$69,591	4.56%
Ohio Public Works Commission CQ727	\$225,000	0.00%
Ohio Public Works Commission CQ13H	\$75,200	0.00%
Capital Lease-Cruiser	\$14,023	5.00%
Capital Lease-Backhoe	6,454	3.78%
Total	<u>\$390,268</u>	

The Ohio Water Development Authority (OWDA) loan relates to the construction of a wastewater plan that was mandated by the Ohio Environment Protection Agency. The loan will be repaid in semiannual installments of \$38,442, including interest, over 25 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan CQ727 relates to the water treatment plan 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.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

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.

In 2005, the Village entered into a lease agreement with Park National Bank for the purchase of a backhoe. The lease is collateralized by the backhoe.

In 2008, the Village entered into a lease agreement with Park National Bank for the purchase of a cruiser. The lease is collateralized by the cruiser.

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

Year ending December 31:	OWDA Loan	OPWC Loans	Capital Leases
2010	\$77,187	\$34,700	\$14,913
2011		34,700	7,751
2012		34,700	
2013		34,700	
2014		34,700	
2015-2019		98,500	
2020-2024		23,500	
2025		4,700	
Total	<u>\$77,187</u>	<u>\$300,200</u>	<u>\$22,664</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 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, 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, 2009.

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.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

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 certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$2,552,519	\$ 2,405,834
Liabilities	<u>(2,814,306)</u>	<u>(2,877,385)</u>
Accumulated deficit	<u>(\$261,787)</u>	<u>(\$471,551)</u>

9. Restatement of Prior Year Fund Balance

	<u>12/31/2007</u>	<u>Restatement</u>	<u>1/1/2008</u> <u>Restated</u> <u>Balance</u>
General Fund	\$ 77,300	\$3,241	\$ 80,541
Permanent Funds	15,367	(3,241)	12,126

The restatement was done to comply with the Auditor of State requirement stated in Bulletin 2005-005. The Income Tax Administration Fund does not meet the requirements set forth in this Bulletin as a Permanent fund and was therefore reclassified into the General Fund.

10. Management Plan Due to Deficit Balance

The Village has a deficit fund balance of \$390,998 and \$76,596 in the Special Revenue Fund-Type at December 31, 2009 and 2008, respectively. The deficit balances are primarily a result of audit adjustments related to transfers from fund to fund that were not approved by the Village Council in 2008 and 2009. The Village is working on watching expenditures by only allowing necessary items to be purchased. The Village will transfer money from the General Fund to the negative fund balances in the Special Revenue Fund-Type to cover the deficits. The Village's General Fund balance at December 31, 2009 and 2008 was \$529,550 and \$234,544, respectively.

The Village's General, Police and Total Unencumbered Fund Balances at May 31, 2011 were \$598,969, \$(484,736) and \$872,914 respectively.



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, 2009 and 2008, and have issued our report thereon dated June 23, 2011 wherein we noted the Village is experiencing financial difficulties and the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 other deficiencies we consider to be a significant deficiencies.

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 findings 2009-01, 2009-06 and 2009-09 described in the accompanying schedule of findings to be material weaknesses.

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 2009-02, 2009-03 and 2009-08 described in the accompanying schedule of findings to be significant deficiencies.

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 2009-01 through 2009-07.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 23, 2011.

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, the Village Council and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

June 23, 2011

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-01

Public monies illegally expended - No Supporting Documentation - Finding for Recovery/Noncompliance/Material Weakness

Ohio Rev. Code Section 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under rules adopted by the records commission provided under sections 149.38 to 149.42 of the Revised Code.

The Village maintained a credit card account; however, the account activity was not monitored by Village Council. The Village Clerk-Treasurer had sole custody of the credit card.

During the period of January 1, 2006 to December 31, 2008, cash advances were made on the Village credit card account. The Village did not maintain support for the advances nor was the cash from the advances deposited into the Village's bank accounts.

Year	Amount	Reason for Finding
2006	\$ 7,148	No support for advances
2007	7,650	No support for advances
2008	1,050	No support for advances
Total	<u>\$ 15,848</u>	

Also during the period, charges were made to the credit card account and the Village was unable to provide support for these charges.

Vendor	Amount	Reason for Finding
Marathon	\$ 299	No supporting documentation
Bob Evans	29	No supporting documentation
BP Oil	49	No supporting documentation
The Sweeper Shop	57	No supporting documentation
Elder-Beerman	150	No supporting documentation
R&M Southside Diner	19	No supporting documentation
Verizon Wireless	133	No supporting documentation
New Albany Links Golf	12	No supporting documentation
Rattlesnake Ridge Golf	22	No supporting documentation
Total	<u>\$ 770</u>	

We also noted during that the period the following checks or miscellaneous expenditures that cleared the Village's bank account, were not recorded on the Village's accounting system, and the Village was unable to provide support to these charges.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2009-01 (CONTINUED)

Public monies illegally expended - No Supporting Documentation - Finding for Recovery/Noncompliance/Material Weakness (Continued)

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against former Clerk-Treasurer, William Dunlap and his bonding company, Ohio Farmers Insurance Inc, Westfield Group, jointly and severally, in the amount of \$36,624 and in favor of the Village's General Fund.

We recommend that Village Council establish policies and procedures over the credit card account. The policy should include but not be limited to, who is authorized to access the account, who is responsible for custody of the credit cards, established credit limits, the prohibition of cash advances, the types of purchases that may be made and receipt documentation requirements. The credit card account activity should be presented to Village Council for review monthly.

We also recommend the Village Council review monthly expenditure reports and request support for expenditures where questions arise or expenditures appear to be unusual. The documentation of this review should be noted in the monthly minute record of Council and the results of any inquires be documented.

Official's Response: Credit card activity will be closely monitored by Council.

FINDING NUMBER 2009-02

Collected but unaccounted for - Income Tax Receipts - Finding for Recovery/Noncompliance/Significant Deficiency

During the period January 1, 2006 through December 31, 2008, William Dunlap served as the Clerk-Treasurer/Tax Administrator for the Village. Mr. Dunlap's duties included depositing monies received, paying bills, and maintaining the minutes. Mr. Dunlap was also responsible for collecting income tax monies and posting those receipts to the Village's accounting system and depositing checks received to the Village's bank account.

During the audit, we reviewed Mr. Dunlap's personal bank account records and found that two checks made out to the Village of Utica, Income Tax Department, totaling \$360 were deposited into Mr. Dunlap's personal bank account.

Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money collected but unaccounted for is hereby issued against former Clerk-Treasurer, William Dunlap and his bonding company, Ohio Farmers Insurance Inc, Westfield Group, jointly and severally, for \$360, in favor of Village of Utica's General Fund.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2009-02 (CONTINUED)

Collected but unaccounted for – Income Tax Receipts – Finding for Recovery/Noncompliance/Significant Deficiency (Continued)

We recommend the Village provide for adequate segregation of duties in its accounting processing. This should be, but not limited to, ensuring that one person does not have control of collection, posting and depositing of receipts. We also recommend the Village Council monitor financial activity closely via documented monthly reviews of financial reports.

Official's Response: Council now has monthly accounting of all receipts.

FINDING NUMBER 2009-03

Funds collected but unaccounted for – Escrow Account - Finding for Recovery/Noncompliance/Significant Deficiency

In April, 2006, the Village obtained a \$50,325 note from a local bank to purchase computer software and equipment. The note proceeds were placed in an escrow account and the bank functioned as trustee of the funds making periodic payments to the vendor. In January 2007, \$3,418 remained in the account. On January 16, 2007, the bank returned the \$3,418 to the Village of Utica by check. The check was endorsed by William Dunlap, Clerk-Treasurer with \$1,587 being deposited into the Village's credit card account to pay off cash advances and expenses. The remaining \$1,831 was converted to cash and was not recorded on the Village's accounting system nor deposited into Village bank accounts. Mr. Dunlap has been unable to identify the location of the cash, or to otherwise account for the missing amount.

Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, or converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money collected but unaccounted for is hereby issued against former Clerk-Treasurer, William Dunlap and his bonding company, Ohio Farmers Insurance Inc, Westfield Group, jointly and severally, for \$1,831, in favor of Village of Utica's General Fund.

We recommend all bank/escrow accounts be included in the month-end bank reconciliation that is completed by the Fiscal Officer. The month-end bank reconciliation should be monitored by Council on a monthly basis. Any unidentified variances should be thoroughly investigated and presented to Council for review and approval.

Official's Response: Mr. Dunlap was unable to provide documentation for this finding.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)

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

FINDING NUMBER 2009-04

Permanent Appropriations – Noncompliance

Ohio Rev. Code Section 5705.38(A) requires on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure be passed. The Village may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed. Additionally, **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.

The Village Council did not adopt a permanent appropriation measure in 2008 nor was an appropriation measure filed with the County Auditor. Since an appropriation measure could not be found or produced for audit, total expenditures reported in fiscal year 2008, exceeded appropriations by the following amounts:

Fund	Budgetary Appropriation	Expenditures	Variance
General	\$ -	\$286,530	(\$286,530)
Street	-	208,776	(208,776)
State Highway	-	25,500	(25,500)
Cemetery	-	10,298	(10,298)
Park	-	1,098	(1,098)
Police	-	390,874	(390,874)
DARE	-	5,013	(5,013)
School Reimbursement	-	31,582	(31,582)
Water Debt	-	42,016	(42,016)
Sewer Debt	-	70,798	(70,798)
Capital	-	45,000	(45,000)
Water	-	159,330	(159,330)
Sewer	-	179,340	(179,340)
W/W Deposit	-	5,050	(5,050)
Sewer Equipment	-	20,000	(20,000)
W/W Construction	-	15,423	(15,423)
Permanent	-	200	(200)

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

FINDING NUMBER 2009-04 (CONTINUED)

Permanent Appropriations – Noncompliance/ Significant Deficiency

Budgetary expenditures exceeded appropriations for the year ended December 31, 2009 in the following funds:

Fund	Budgetary		Variance
	Appropriation	Expenditures	
Street	\$ 139,380	\$ 178,405	\$ (39,025)
State Highway	9,900	14,342	(4,442)
Cemetery	10,000	10,797	(797)
Police	350,000	373,456	(23,456)
DARE	12,312	48,844	(36,532)
Capital	40,000	44,600	(4,600)
Water	129,300	138,967	(9,667)
Sewer	169,300	229,230	(59,930)
W/W Construction	-	6,814	(6,814)

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.

We recommend that the Village Council adopt a permanent appropriation measure by April 1st each year. 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. Also, the Village should consult its legal counsel and review the Auditor of State's, Ohio Compliance Supplement, and develop a budgetary schedule and timeline to assure that all annual budgetary filings and compliance requirements are met.

Official's Response: Transfers are now appropriated and approved by ordinance

FINDING NUMBER 2009-05

Prior Certification of Funds – 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, 2009 AND 2008
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2009-05 (CONTINUED)

Prior Certification of Funds – 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 twenty-two (22%) of the expenditures tested in 2009 and sixteen (16%) tested in 2008 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: The Village has increased awareness of filing proper paperwork that is needed for certification of funds.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

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

FINDING NUMBER 2009-06

Transfers – Noncompliance/ Material Weakness

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Atty. Gen. No. 89-075 (Ohio Rev. 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). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

During fiscal year 2008, the Fiscal Officer made transfers between funds; however, they were never approved by the Village Finance Committee or in any form by Village Council. In fiscal year 2009, transfers were approved by the Village finance committee and Council; however this did not occur until the subsequent fiscal year and not in detail. These numbers represent the net effect of the transfers that were not approved by Council in each year. The following funds have been affected in the following ways:

Fund	Fiscal Year 2008	Fiscal Year 2009
General Fund	\$ 199,035	\$ 229,082
Street Fund	(3,096)	(46,808)
Cemetery Fund	(1,500)	(8,753)
Permanent Fund	237	
Capital Projects Fund		50,000
Police Fund	(191,349)	(223,521)
Park Fund	(1,550)	
School Reimbursement Fund	(378)	
Income Tax Fund	(1,247)	
W/W Capital Fund	(163)	
Water Fund	14,094	
Wastewater Fund	116,344	
Debt Service Water Fund	(14,094)	(6,814)
Wastewater Equipment Fee Fund	(116,333)	
Debt Service Wastewater Fund		6,814
Total Net Effect:	\$ 659,420	\$ 571,792

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: Transfers are now approved by Council.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2009-07

Appropriations Exceeding Estimated Resources – 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. As of December 31, 2009, the Village had appropriations exceeding estimated resources available for expenditure in the following funds:

Fund	Estimated Resources	Budgetary Appropriations	Variance
General	\$ 472,693	\$730,913	\$ (258,220)
Sewer Debt	64,813	75,500	(10,687)

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: Council and the Fiscal Officer will monitor budgetary more closely.

FINDING NUMBER 2009-08

Income Taxes – 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 should have a written receipt and income tax procedures in place to assist the finance department.

During the audit period, 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 return through the entire receipt process however we were able to determine receipts collected were posted to the accounting system, in aggregate. The Village had no written procedures in place over this process.

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 payments made with cash. The Village should adopt a procedure manual and provide adequate training over the processing of income tax returns. Additionally, the timing of posting of income tax returns has lead 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 procedure 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.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2009-08 (CONTINUED)

Income Taxes – Significant Deficiency (Continued)

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.

Official's Response: The Village is now keeping track of these receipts through separate accounting ledgers.

FINDING NUMBER 2009-09

General Bank Account Reconciliations – Material Weakness

A basic function of the Village finance department is to perform monthly bank reconciliations for all Village bank accounts. The accounts should be reconciled to the sum of all cash held in all accounts to balances reported in the accounting system. Performance of monthly bank reconciliations is essential in order to monitor the existence of cash. Standard bank reconciliations could easily bring to light any missing cash, and cash assets are most susceptible to fraud and abuse due to the difficulty in tracking its movement through the system. For this reason alone, it is important to perform monthly bank reconciliations.

The Village attempted to reconcile their general bank accounts on a monthly basis, however the Fiscal Officer had reconciling items that changed on a month-to-month basis that could not be identified. This issue was brought to the attention, by the Fiscal Officer, of the finance committee where the Fiscal Officer sought assistance with the reconciling problems and the committee assisted where possible; however, the outstanding reconciling items were unable to be identified.

At the beginning of fiscal year 2008, the Village switched their accounting information system from manual, hand-written ledgers to a computer system. The Village Fiscal Officer had difficulties learning the new system and had many issues trying to use the new system. The Village continued to complete inaccurate bank reconciliations during the audit period. At the end of fiscal year 2009, the Village filed an unreconciled year-end book to bank reconciliation with its year-end financial report submitted to the Auditor of State (AoS). When the AoS began the regularly scheduled audit in September 2010, the AoS attempted to assist with the reconciliation of accounts. The Village's variance at December 31, 2009 was over \$40,000. In November 2010, the AoS issued a 90-day unaudit letter to the Village indicating that month-end reconciliations for the entire audit period needed to be completed for the audit. In January 2011, with the assistance of an accounting firm, the Village presented a two year book to bank reconciliation for audit. This reconciliation was reconciled to the Village's year-end financial statements.

Failure to perform monthly bank reconciliations and system reconciliations could result in the theft, misuse and abuse of Village assets, as well as, errors in the accounting ledgers and misstatements in the financial statements. Failing to properly identifying reconciling items between the book balance and bank balance could lead to checks being written off the books and not identified in a timely manner, or receipts not being properly deposited into the Village's bank accounts. Failure to receive adequate training on the new computer system could also lead to errors in accounting entries for key processes. We also attributed these weaknesses to the issues noted in Findings 2009-01 through 2009-03.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

FINDING NUMBER 2009-09 (CONTINUED)

General Bank Account Reconciliations – Material Weakness (Continued)

To strengthen existing operations, we recommend reconciliation of the cash book to the bank on a monthly basis. We recommend all of the following appear on this bank reconciliation:

- previous month's unreconciled items for the current month
- ending balances for all bank demand depository accounts
- outstanding checks
- outstanding deposits
- ending book balances

The Village Fiscal Officer should be able to identify all items in the above categories. Other reconciling items should be investigated thoroughly by someone independent of the reconciling process and to determine their appropriate treatment. In addition, these reconciliations should be reviewed by the finance committee and the review and results should be noted and discussed as a part of the financial activity at each Council meeting. Any items that appear to be undocumented should be highly scrutinized by the committee for accuracy and completeness.

We also recommend the Village obtain adequate training for all employees using the new computer accounting information system to ensure items are posted timely and correctly and that the system is fully utilized for monitoring purposes.

Official's Response: The Village hired an outside accounting firm to assist with the final reconciliation.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-01	ORC 5705.39 Appropriations exceeding Estimated Resources	No	Reissued, Finding 2009-07
2007-02	ORC 5705.41(B) Expenditures exceeding Appropriations	No	Reissued, Finding 2009-04
2007-03	ORC 5705.41(D)	No	Reissued, Finding 2009-05



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
OCTOBER 20, 2011