



**Auditor of State
Betty Montgomery**

VILLAGE OF UTICA
LICKING COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Utica
Licking County
39 Spring Street, P.O. Box 524
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, 2003, and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

July 30, 2004

**VILLAGE OF UTICA
LICKING COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$242,593	\$195,763	\$78,613	\$15,000	\$531,969
Intergovernmental Receipts	239,939	123,214	0	0	363,153
Charges for Services	7,683	2,588	0	1,310	11,581
Fines, Licenses, and Permits	41,108	0	0	0	41,108
Earnings on Investments	25,144	3,429	0	0	28,573
Miscellaneous	1,497	0	0	0	1,497
	<u>557,964</u>	<u>324,994</u>	<u>78,613</u>	<u>16,310</u>	<u>977,881</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	0	499,325	0	0	499,325
Public Health Services	5,993	1,131	0	0	7,124
Community Environment	1,200	151	0	0	1,351
Basic Utility Services	14,399	0	4,819	0	19,218
Transportation	0	19,285	49,051	0	68,336
General Government	203,480	63,594	8,687	12,209	287,970
Debt Service:					
Principal Payments	0	0	5,946	0	5,946
Interest Payments	0	0	367	0	367
Capital Outlay	0	30,505	0	4,732	35,237
	<u>225,072</u>	<u>613,991</u>	<u>68,870</u>	<u>16,941</u>	<u>924,874</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>332,892</u>	<u>(288,997)</u>	<u>9,743</u>	<u>(631)</u>	<u>53,007</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes	75,000	30,505	0	0	105,505
Transfers-In	0	216,701	0	0	216,701
Transfers-Out	(284,391)	0	0	0	(284,391)
	<u>(209,391)</u>	<u>247,206</u>	<u>0</u>	<u>0</u>	<u>37,815</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	123,501	(41,791)	9,743	(631)	90,822
Fund Cash Balances, January 1	<u>225,618</u>	<u>151,023</u>	<u>76,389</u>	<u>12,264</u>	<u>465,294</u>
Fund Cash Balances, December 31	<u>\$349,119</u>	<u>\$109,232</u>	<u>\$86,132</u>	<u>\$11,633</u>	<u>\$556,116</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 - PROPRIETARY AND OTHER FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$426,543	\$0	\$426,543
Miscellaneous	6,466	0	6,466
Total Operating Cash Receipts	<u>433,009</u>	<u>0</u>	<u>433,009</u>
Operating Cash Disbursements:			
Personal Services	198,884	0	198,884
Contractual Services	106,259	0	106,259
Supplies and Materials	62,437	0	62,437
Other	16,756	0	16,756
Capital Outlay	23,165	0	23,165
Total Operating Cash Disbursements	<u>407,501</u>	<u>0</u>	<u>407,501</u>
Operating Income	<u>25,508</u>	<u>0</u>	<u>25,508</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	21,523	0	21,523
Sale of Notes	125,285	0	125,285
Fines and Fees Collected	0	35,973	35,973
Total Non-Operating Cash Receipts	<u>146,808</u>	<u>35,973</u>	<u>182,781</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	232,415	0	232,415
Interest Payments	51,068	0	51,068
Fines and Fees Distributed	0	35,973	35,973
Total Non-Operating Cash Disbursements	<u>283,483</u>	<u>35,973</u>	<u>319,456</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(111,167)	0	(111,167)
Transfers-In	<u>67,690</u>	<u>0</u>	<u>67,690</u>
Net Receipts (Under) Disbursements	(43,477)	0	(43,477)
Fund Cash Balances, January 1	<u>306,725</u>	<u>1,631</u>	<u>308,356</u>
Fund Cash Balances, December 31	<u>\$263,248</u>	<u>\$1,631</u>	<u>\$264,879</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 AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$203,781	\$189,922	\$73,464	\$16,500	\$483,667
Intergovernmental Receipts	102,502	144,512	0	0	247,014
Charges for Services	0	7,525	0	4,475	12,000
Fines, Licenses, and Permits	35,583	0	0	0	35,583
Earnings on Investments	26,169	3,568	0	0	29,737
Miscellaneous	25,121	325	0	0	25,446
	<u>393,156</u>	<u>345,852</u>	<u>73,464</u>	<u>20,975</u>	<u>833,447</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	0	461,324	5,000	0	466,324
Public Health Services	5,688	1,053	0	0	6,741
Community Environment	1,200	134	0	0	1,334
Basic Utility Services	15,069	0	6,105	0	21,174
Transportation	0	12,794	36,470	0	49,264
General Government	195,534	67,738	1,540	18,224	283,036
Debt Service:					
Principal Payments	0	0	17,598	0	17,598
Interest Payments	0	0	1,788	0	1,788
Capital Outlay	0	0	0	4,543	4,543
	<u>217,491</u>	<u>543,043</u>	<u>68,501</u>	<u>22,767</u>	<u>851,802</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>175,665</u>	<u>(197,191)</u>	<u>4,963</u>	<u>(1,792)</u>	<u>(18,355)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	211,000	0	0	211,000
Transfers-Out	<u>(211,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(211,000)</u>
	<u>(211,000)</u>	<u>211,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(35,335)	13,809	4,963	(1,792)	(18,355)
Fund Cash Balances, January 1	<u>260,953</u>	<u>137,214</u>	<u>71,426</u>	<u>14,056</u>	<u>483,649</u>
Fund Cash Balances, December 31	<u>\$225,618</u>	<u>\$151,023</u>	<u>\$76,389</u>	<u>\$12,264</u>	<u>\$465,294</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 - PROPRIETARY AND OTHER FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$418,705	\$0	\$418,705
Miscellaneous	32,107	0	32,107
Total Operating Cash Receipts	<u>450,812</u>	<u>0</u>	<u>450,812</u>
Operating Cash Disbursements:			
Personal Services	179,344	0	179,344
Contractual Services	318,789	0	318,789
Supplies and Materials	55,622	0	55,622
Other	2,859	0	2,859
Total Operating Cash Disbursements	<u>556,614</u>	<u>0</u>	<u>556,614</u>
Operating (Loss)	<u>(105,802)</u>	<u>0</u>	<u>(105,802)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	188,090	0	188,090
Fines and Fees Collected	0	45,341	45,341
Total Non-Operating Cash Receipts	<u>188,090</u>	<u>45,341</u>	<u>233,431</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	81,738	0	81,738
Interest Payments	55,159	0	55,159
Fines and Fees Distributed	0	45,108	45,108
Total Non-Operating Cash Disbursements	<u>136,897</u>	<u>45,108</u>	<u>182,005</u>
Net Receipts Over/(Under) Disbursements	(54,609)	233	(54,376)
Fund Cash Balances, January 1	<u>361,334</u>	<u>1,398</u>	<u>362,732</u>
Fund Cash Balances, December 31	<u><u>\$306,725</u></u>	<u><u>\$1,631</u></u>	<u><u>\$308,356</u></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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Utica, Licking County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Police Fund - This fund receives income tax revenue to provide police services for the Village.

VILLAGE OF UTICA
LICKING COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

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

Capital Fund - This fund receives income tax proceeds to make capital outlay purchases and to pay for debt related to those capital outlay purchases.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Income Tax Fund - This fund receives a portion of income tax proceeds to pay the salary of the income tax administrator.

Mayor's Court Fund - This fund receives money from citations issued by the Village's Police Department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State.

Cemetery Endowment Fund - This fund receives a portion of cemetery lot sales and burial fees to pay for cemetery maintenance.

VILLAGE OF UTICA
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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 level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment pool used by all funds, except for Mayor's Court funds which are maintained in a separate bank account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$164,743	\$144,765
Certificates of deposit	656,252	628,885
Total deposits and investments	<u>\$820,995</u>	<u>\$773,650</u>

**VILLAGE OF UTICA
LICKING COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$658,733	\$632,964	\$25,769
Special Revenue	167,287	572,200	(404,913)
Capital Projects	0	78,613	(78,613)
Enterprise	299,000	647,507	(348,507)
Fiduciary (Expendable Trust)	18,500	16,310	2,190
Total	\$1,143,520	\$1,947,594	(\$804,074)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$585,189	\$509,463	\$75,726
Special Revenue	583,125	613,991	(30,866)
Capital Projects	105,000	68,870	36,130
Enterprise	471,486	690,984	(219,498)
Fiduciary (Expendable Trust)	17,700	16,941	759
Total	\$1,762,500	\$1,900,249	(\$137,749)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$459,380	\$393,156	(\$66,224)
Special Revenue	347,197	556,852	209,655
Capital Projects	75,800	73,464	(2,336)
Enterprise	404,000	638,902	234,902
Fiduciary (Expendable Trust)	13,000	20,975	7,975
Total	\$1,299,377	\$1,683,349	\$383,972

**VILLAGE OF UTICA
LICKING COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$591,600	\$428,491	\$163,109
Special Revenue	539,300	543,043	(3,743)
Capital Projects	90,000	68,501	21,499
Enterprise	487,486	693,511	(206,025)
Fiduciary (Expendable Trust)	20,600	22,767	(2,167)
Total	\$1,728,986	\$1,756,313	(\$27,327)

For several funds in 2002 and 2003, the Village was not fully in compliance with Ohio Revised Code Sections 5705.39 and 5705.41(B).

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 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.

**VILLAGE OF UTICA
LICKING COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$367,762	4.56%
Ohio Public Works Loan	390,000	0.00%
Bond Anticipation Notes	125,285	4.70%
Public Finance Lease	30,505	3.78%
Commercial Loan	75,000	5.10%
Total	<u>\$988,552</u>	

The Ohio Water Development Authority (OWDA) loan relates to the construction of a wastewater plant that was mandated by the Ohio Environmental 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 relates to the water treatment plant improvement project. The loan will be repaid in semiannual installments of \$15,000 over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Also, as part of the OPWC project, the Village borrowed an additional \$260,000 from Park National Bank in anticipation of the issuance of bonds. This loan will be repaid in annual installments of \$30,000, including interest until 2006 when the remaining principal will be due. This loan was renewed through Park National Bank in 2003 for the fourth time.

In 2003, the Village entered into a lease agreement with Park National Bank for the purchase of a dump truck. The lease is collateralized by the dump truck.

Also in 2003, the Village borrowed \$75,000 from Park National Bank for cash flow purposes. The loan is collateralized by one of the Village's certificates of deposit.

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

	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>Anticipation Notes</u>
Year ending December 31:			
2004	\$76,886	\$30,000	\$30,000
2005	76,886	30,000	30,000
2006	76,886	30,000	79,489
2007	76,886	30,000	0
2008	76,886	30,000	0
2009 – 2016	153,771	240,000	0
Total	<u>\$538,201</u>	<u>\$390,000</u>	<u>\$139,489</u>

**VILLAGE OF UTICA
LICKING COUNTY**

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

6. DEBT (Continued)

	Commercial Loan	Dump Truck Lease
Year ending December 31:		
2004	\$0	\$6,809
2005	0	6,809
2006	0	6,809
2007	90,310	6,810
2008	0	6,810
Total	\$90,310	\$34,047

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

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 Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan 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.

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, 2003 and 2002:

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

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Auditor of State Betty Montgomery

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

Village of Utica
Licking County
39 Spring Street, P.O. Box 524
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, 2003, and December 31, 2002, and have issued our report thereon dated July 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Village's management in a separate letter dated July 30, 2004.

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Village of Utica
Licking County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

July, 30, 2004

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Finding for Recovery - Repaid Under Audit

Ohio Rev. Code Section 2949.091 states that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such monies collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to September 26, 2003 the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court Clerk was not aware that the court costs had increased so the court fee was not raised at any time during the audit period.

From September 26, 2003 to December 31, 2003, the Mayor's Court had 68 cases in which it only collected and paid to the Treasurer of State of Ohio the \$11 fee. Based on this, the Mayor's Court should have collected an additional \$272 that is due to the State of Ohio to be deposited by the Treasurer of State into the General Revenue Fund. Additionally, in 2002 and 2003, credit card payments for fines were receipted by the Village Clerk-Treasurer and not by the Mayor's Court Clerk. This resulted in an additional \$300 over the past two years for credit card transactions that should have been remitted to the State of Ohio.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, a finding for recovery for monies due but not collected is hereby issued against Mayor Larry Friesel and the Personal Service Insurance Company, jointly and severally, in the amount of \$572 and in favor of the Treasurer of the State of Ohio.

Village Council Resolution 04-015 approved the payment of this finding from the General Fund of the Village. On July 27, 2004, a check for \$572 was issued from the Village's General Fund to the Treasurer of the State of Ohio.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending appropriations.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.39 (Continued)

At December 31, 2003, total appropriations exceeded total certified resources as follows:

Fund/Type	Total Certified Resources	Appropriations	Variance
Special Revenue:			
Street	\$62,334	\$146,518	(\$84,184)
Police	135,995	333,207	(197,212)
Federal Grant	34,271	75,400	(41,129)
Enterprise:			
Waste Water Capital	1,902	60,000	(58,098)
Water	134,708	144,600	(9,892)

At December 31, 2002, total appropriations exceeded total certified resources as follows:

Fund/Type	Total Certified Resources	Appropriations	Variance
Special Revenue:			
Permissive Tax	\$13,134	\$15,000	(\$1,866)
Cemetery	3,296	9,900	(6,604)
Police	134,240	313,000	(178,760)
Enterprise:			
Waste Water Capital	11,903	60,000	(48,097)
Water	118,322	133,600	(15,278)
Fiduciary:			
Income Tax	1,398	13,200	(11,802)

The Clerk-Treasurer should monitor appropriations versus total certified resources to assure appropriations are within total estimated resources. In addition, the Clerk-Treasurer should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

FINDING NUMBER 2003-003

Noncompliance Citation

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 any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)

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

FINDING NUMBER 2003-003 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village 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 (\$1,000 prior to April 7, 2003) 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 – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

Fifty percent of the transactions tested were not certified by the Clerk-Treasurer at the time the commitment was incurred 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 Clerk-Treasurer 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.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-003 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a Village from making expenditure unless it has been properly appropriated.

At December 31, 2003, expenditures exceeded total appropriations at the Village's Legal level of budgetary control as follows:

Fund/Type	Total Appropriated	Total Expenditures	Variance
Special Revenue:			
Street	\$146,518	\$169,950	(\$23,432)
Permissive Tax	17,000	19,285	(2,285)
Cemetery	0	9,071	(9,071)
Park	0	2,101	(2,101)
Police	333,207	344,572	(11,365)
Dare	0	540	(540)
Enterprise:			
Water	144,600	208,226	(63,626)
Waste Water Construction	0	1,020	(1,020)
Water Debt Service	0	200,285	(200,285)
Fiduciary:			
Income Tax	14,700	14,934	(234)

VILLAGE OF UTICA
LICKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)

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

FINDING NUMBER 2003-004 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(B) (Continued)

At December 31, 2002, expenditures exceeded total appropriations at the Village's legal level of budgetary control as follows:

Fund/Type	Total Appropriated	Total Expenditures	Variance
Special Revenue:			
Park	\$0	\$1,600	(\$1,600)
Police	313,000	324,337	(11,337)
Federal Grant	61,500	66,151	(4,651)
Enterprise:			
Reservoir	0	239,604	(239,604)
Water Debt Service	54,000	60,000	(6,000)
Fiduciary:			
Income Tax	13,200	16,524	(3,324)

The Clerk-Treasurer should periodically review the appropriation ledger to ensure that expenditures plus encumbrances do not exceed appropriations. The Clerk-Treasurer should not approve expenditures or encumbrances which exceed appropriations. The Clerk-Treasurer should request Council to determine if they wish to approve the expenditures by amending appropriations.

**VILLAGE OF UTICA
LICKING COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30645-001	Revised Code 5705.39 Appropriations Exceeding Estimated Resources	No	Reissued as Finding 2003-002
2001-30645-002	Revised Code 5705.41(D) Certification of Funds Prior to Obligation	No	Reissued as Finding 2003-003
2001-30645-003	Revised Code 5705.41B Expenditures Exceeding Appropriations	No	Reissued as Finding 2003-004



**Auditor of State
Betty Montgomery**

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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 12, 2004**