

**VILLAGE OF UTICA
LICKING COUNTY**

AUDIT REPORT

JANUARY 1, 2004 – DECEMBER 31, 2005

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



**Auditor of State
Betty Montgomery**

Village Council
Village of Utica
39 Spring Street
P.O. Box 524
Utica, Ohio 43080

We have reviewed the *Independent Auditors' Report* of the Village of Utica, Licking County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Utica is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 29, 2006

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VILLAGE OF UTICA
LICKING COUNTY

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Village of Utica
Licking County
P.O. Box 524
Utica, Ohio 43080

We have audited the accompanying financial statements of Village of Utica, Licking County as of and for the years ended December 31, 2005 and 2004. 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 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Village of Utica's combined funds as of December 31, 2005 and 2004, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Utica, Licking County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. 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 a report dated September 22, 2006, on our consideration of Village of Utica's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 22, 2006

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 77,226	\$ -	\$ -	\$ -	\$ 77,226
Municipal Income Tax	213,420	210,604	75,747	21,500	521,271
Intergovernmental Receipts	65,103	154,870	-	-	219,973
Charges for Services	-	5,650	-	4,176	9,826
Fines, Licenses, and Permits	27,379	-	-	-	27,379
Earnings on Investments	36,288	-	-	-	36,288
Miscellaneous	167,057	18,607	-	-	185,664
Total Cash Receipts	<u>586,473</u>	<u>389,731</u>	<u>75,747</u>	<u>25,676</u>	<u>1,077,627</u>
Cash Disbursements					
Current:					
Security of Persons and Property	95,250	388,011	-	12,586	495,847
Public Health Services	-	20,763	-	-	20,763
Community Environment	1,201	40,686	-	-	41,887
Basic Utility Services	9,407	-	6,962	-	16,369
Transportation	-	97,392	50,000	-	147,392
General Government	245,096	57,993	27,024	14,630	344,743
Debt Service:					
Principal Payments	75,000	5,871	-	-	80,871
Interest payments	15,310	939	-	-	16,249
Capital Outlay	-	34,360	-	-	34,360
Total Cash Disbursements	<u>441,264</u>	<u>646,015</u>	<u>83,986</u>	<u>27,216</u>	<u>1,198,481</u>
Total Receipts Over/(Under) Disbursements	145,209	(256,284)	(8,239)	(1,540)	(120,854)
Other Financing Receipts/(Disbursements)					
Transfers - In	-	247,700	-	500	248,200
Sale of Notes	-	34,360	-	-	34,360
Transfers - Out	(248,200)	-	-	-	(248,200)
Total Other Financing Receipts/(Disbursements)	<u>(248,200)</u>	<u>282,060</u>	<u>-</u>	<u>500</u>	<u>34,360</u>
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(102,991)	25,776	(8,239)	(1,040)	(86,494)
Fund Cash Balnces, January 1, 2005	<u>199,138</u>	<u>171,893</u>	<u>78,577</u>	<u>13,845</u>	<u>463,453</u>
Fund Cash Balances, December 31, 2005	<u>\$ 96,147</u>	<u>\$ 197,669</u>	<u>\$ 70,338</u>	<u>\$ 12,805</u>	<u>\$ 376,959</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUNDS AND OTHER FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary</u>	<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 482,762	\$ -	\$ 482,762
Miscellaneous	97,942	-	97,942
Total Operating Cash Receipts	<u>580,704</u>	<u>-</u>	<u>580,704</u>
Operating Cash Disbursements:			
Personal Services	170,485	-	170,485
Contractual Services	81,739	-	81,739
Supplies and Materials	45,002	-	45,002
Other	14,730	-	14,730
Capital Outlay	251,350	-	251,350
Total Operating Cash Disbursements	<u>563,306</u>	<u>-</u>	<u>563,306</u>
Operating Income/(Loss)	<u>17,398</u>	<u>-</u>	<u>17,398</u>
Non-Operating Cash Receipts:			
Sale of Notes	94,000	-	94,000
Other Non-operating Receipts	-	32,346	32,346
Total Non-Operating Cash Receipts	<u>94,000</u>	<u>32,346</u>	<u>126,346</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	106,711	-	106,711
Interest Payments	19,250	-	19,250
Other Non-Operating Cash Disbursements	-	34,703	34,703
Total Non-Operating cash Disbursements	<u>125,961</u>	<u>34,703</u>	<u>160,664</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(14,563)	(2,357)	(16,920)
Transfers - In	-	-	-
Transfers - Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Receipts Over/(Under) Disbursements	(14,563)	(2,357)	(16,920)
Fund Cash Balances, January 1, 2005	<u>230,440</u>	<u>3,004</u>	<u>233,444</u>
Fund Cash Balances, December 31, 2005	<u>\$ 215,877</u>	<u>\$ 647</u>	<u>\$ 216,524</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 73,606	\$ -	\$ -	\$ -	\$ 73,606
Municipal Income Tax	192,141	195,770	62,823	18,000	468,734
Intergovernmental Receipts	68,209	91,698	-	-	159,907
Charges for Services	-	7,450	-	3,400	10,850
Fines, Licenses, and Permits	34,998	-	-	-	34,998
Earnings on Investments	25,684	-	-	-	25,684
Miscellaneous	24,147	13,401	-	1,821	39,369
Total Cash Receipts	<u>418,785</u>	<u>308,319</u>	<u>62,823</u>	<u>23,221</u>	<u>813,148</u>
Cash Disbursements					
Current:					
Security of Persons and Property	90,606	477,047	-	10,990	578,643
Public Health Services	6,228	773	-	-	7,001
Community Environment	1,320	346	-	-	1,666
Basic Utility Services	13,534	-	7,064	-	20,598
Transportation	-	9,344	45,000	-	54,344
General Government	149,428	58,989	18,314	10,019	236,750
Debt Service:					
Principal Payments	-	5,657	-	-	5,657
Interest payments	-	1,152	-	-	1,152
Total Cash Disbursements	<u>261,116</u>	<u>553,308</u>	<u>70,378</u>	<u>21,009</u>	<u>905,811</u>
Total Receipts Over/(Under) Disbursements	157,669	(244,989)	(7,555)	2,212	(92,663)
Other Financing Receipts/(Disbursements)					
Transfers - In	-	307,650	-	-	307,650
Transfers - Out	(307,650)	-	-	-	(307,650)
Total Other Financing Receipts/(Disbursements)	<u>(307,650)</u>	<u>307,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(149,981)	62,661	(7,555)	2,212	(92,663)
Fund Cash Balnces, January 1, 2004	<u>349,119</u>	<u>109,232</u>	<u>86,132</u>	<u>11,633</u>	<u>556,116</u>
Fund Cash Balances, December 31, 2004	<u>\$ 199,138</u>	<u>\$ 171,893</u>	<u>\$ 78,577</u>	<u>\$ 13,845</u>	<u>\$ 463,453</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUNDS AND OTHER FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary</u>	<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 459,676	\$ -	\$ 459,676
Miscellaneous	6,288	-	6,288
Total Operating Cash Receipts	<u>465,964</u>	<u>-</u>	<u>465,964</u>
Operating Cash Disbursements:			
Personal Services	195,712	-	195,712
Contractual Services	89,970	-	89,970
Supplies and Materials	32,952	-	32,952
Other	23,663	-	23,663
Capital Outlay	-	-	-
Total Operating Cash Disbursements	<u>342,297</u>	<u>-</u>	<u>342,297</u>
Operating Income/(Loss)	<u>123,667</u>	<u>-</u>	<u>123,667</u>
Non-Operating Cash Receipts:			
Other Non-operating Receipts	-	43,340	43,340
Total Non-Operating Cash Receipts	<u>-</u>	<u>43,340</u>	<u>43,340</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	119,195	-	119,195
Interest Payments	37,280	-	37,280
Other Non-Operating Cash Disbursements	-	41,967	41,967
Total Non-Operating cash Disbursements	<u>156,475</u>	<u>41,967</u>	<u>198,442</u>
Net Receipts Over/(Under) Disbursements	(32,808)	1,373	(31,435)
Fund Cash Balances, January 1, 2004	<u>263,248</u>	<u>1,631</u>	<u>264,879</u>
Fund Cash Balances, December 31, 2004	<u>\$ 230,440</u>	<u>\$ 3,004</u>	<u>\$ 233,444</u>

See notes to financial statements.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

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 general governmental services, including 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, purchase 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:

Governmental Funds

General Fund

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

Special Revenue Funds

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

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

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

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

Capital Projects Funds

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

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.

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.

Mayors Court Fund - This fund receives money from citations issued by the Village's Police Department. The funds are distributed to various agencies as prescribed by the Ohio Revised Code.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Fiduciary Funds (Trust and Agency Funds) (Continued)

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

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Unpaid vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2005	2004
Demand Deposits	\$ 138,927	\$ 143,896
Certificates of Deposit	454,556	553,001
Total Deposits	\$ 593,483	\$ 696,897

Deposits: Deposits are either 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 year ended December 31, 2005 and 2004 is as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 574,642	\$ 586,473	\$ 11,831
Special Revenue	293,362	671,791	378,429
Capital Projects	62,658	75,747	13,089
Enterprise	458,189	674,704	216,515
Fiduciary (Nonexpendable)	20,500	26,176	5,676
Total	\$ 1,409,351	\$ 2,034,891	\$ 625,540

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 523,329	\$ 689,464	\$ (166,135)
Special Revenue	653,480	646,015	7,465
Capital Projects	50,000	83,986	(33,986)
Enterprise	784,486	689,267	(95,219)
Fiduciary (Nonexpendable)	25,000	27,216	(2,216)
Total	\$ 2,036,295	\$ 2,135,948	\$ (99,653)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 168,888	\$ 418,785	\$ 249,897
Special Revenue	281,075	615,969	334,894
Capital Projects	168,000	62,823	(105,177)
Enterprise	456,500	465,964	9,464
Fiduciary (Nonexpendable)	17,000	23,221	6,221
Total	\$ 1,091,463	\$ 1,586,762	\$ 495,299

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 619,245	\$ 568,766	\$ 50,479
Special Revenue	640,068	553,308	86,760
Capital Projects	70,200	70,378	(178)
Enterprise	520,596	498,772	21,824
Fiduciary (Nonexpendable)	21,380	21,009	371
Total	\$ 1,871,489	\$ 1,712,233	\$ 159,256

For several funds in 2005 and 2004, the Village was not fully in compliance with Ohio Revised Code Sections 5705.39 and 5705.41(B).

4. PROPERTY TAX

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 payment, the first half is due by 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 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, 2005 and 2004**

6. DEBT

Debt outstanding at December 31, 2005 and 2004 was as follows:

	2005 Principal	%
Ohio Water Development Authority Loans	\$ 264,206	4.56
Ohio Public Works Commission CQ727	330,000	0.00
Ohio Public Works Commission CQ13H	91,650	0.00
Bond Anticipation Note	65,285	4.70
Capital Lease-Dump Truck	18,977	3.78
Capital Lease-Backhoe	34,360	3.78
Total	\$ 804,478	

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

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

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.

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.

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.

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

Year Ending December 31	OWDA Loans	OPWC Loans	Anticipation Note	Dump Truck Lease	Backhoe Lease
2006	\$ 76,886	\$ 34,700	\$ 68,353	\$ 6,810	\$ 7,671
2007	76,888	34,700	-	6,810	7,671
2008	76,886	34,700	-	6,809	7,671
2009	76,886	34,700	-	-	7,671
2010	38,442	34,700	-	-	7,671
2011-2015	-	173,500	-	-	-
2016-2020	-	53,500	-	-	-
2021-2025	-	21,150	-	-	-
	\$ 345,986	\$ 421,650	\$ 68,353	\$ 20,429	\$ 38,255

**VILLAGE OF UTICA
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004**

7. RETIREMENT SYSTEMS

The Villages law enforcement officers and firefighters 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 2005 and 2004, members of OP&F contributed 10% of their wages to OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductible.

The Pool cedes reinsurance or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements. The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 21, 2004 and 2003 (the latest information available):

	<u>2004</u>	<u>2003</u>
Assets	\$ 2,390,150	\$ 1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Retained (deficit) earnings	<u>\$ (1,034,121)</u>	<u>\$ (1,841,812)</u>

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Village of Utica
Licking County
P.O. Box 524
Utica, Ohio 43080

We have audited the financial statements of Village of Utica as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 22, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Utica's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 caused by error or fraud 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 internal control over financial reporting that we have reported to management in a separate letter dated September 22, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Utica's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as items 2005-01 through 2005-03. We also noted immaterial instances of noncompliance that we have reported to the management of Village of Utica in a separate letter dated September 22, 2006.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 22, 2006

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-01 NONCOMPLIANCE

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated 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.

The Village had the following fund with appropriations greater than estimated resources.

Year	Fund	Total Certified Resources	Approved Appropriations	Variance
2005	Cemetery	\$ 6,052	\$ 15,080	\$ (9,028)
2005	Park	2,279	2,600	(321)
2005	Police Fund	155,926	370,000	(214,474)
2005	Federal Grant	-	18,200	(18,200)
2005	FEMA	-	47,000	(47,000)
2005	WW Capital	260	232,000	(231,740)
2005	Income Tax	19,251	22,000	(2,749)
2004	General	521,302	619,245	(97,943)
2004	Street	155,272	158,550	(3,278)
2004	Permissive Tax	15,134	19,000	(3,866)
2004	Park	3,538	3,900	(362)
2004	Police Fund	124,451	402,500	(278,049)
2004	Federal Grant	8,815	28,500	(19,685)
2004	Income Tax	15,640	18,380	(2,740)

We recommend the Village 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.

Client Response: We agree and we will monitor budgetary appropriations versus estimated resources.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-02 NONCOMPLIANCE

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Year	Fund	Total Appropriated	Total Expenditures	Variance
2005	General	\$ 523,529	\$ 689,464	\$ (165,935)
2005	Street	162,504	181,379	(18,875)
2005	DARE	11,696	16,511	(4,815)
2005	Capital Project	50,000	83,986	(33,986)
2005	DS-Water	60,000	171,608	(111,608)
2005	WW Construction	-	6,919	(6,919)
2005	Cemetery Endowment	3,000	5,911	(2,911)
2004	FEMA	-	1,845	(1,845)
2004	Capital Project	70,200	70,378	(178)
2004	DS-Sewer	64,886	96,475	(31,589)
2004	Income Tax	18,380	18,389	(9)

We recommend the Village not make payments that would exceed appropriations. The Village should compare disbursements with appropriations on a monthly basis and take needed action to ensure all disbursements have been appropriated.

Client Response: We agree with finding and will monitor budgetary expenditures with appropriations.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-03 NONCOMPLIANCE

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 41% in 2005 and 35% in 2004 of the expenditures tested.

The Clerk should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued 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 council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Village can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Clerk to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk without subsequent authorization from the Trustees. However, then and now certificates issued by the Clerk over \$3,000 must be authorized by Council within thirty days after payment.

Client Response: Client agrees with finding, will review expenditures and try to certify prior to disbursement.

**VILLAGE OF UTICA
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Finding for Recovery	Yes	Finding No Longer Valid. Payment made on July 27, 2004.
2003-002	ORC 5705.39 Appropriations greater than estimated resources	No	Not Corrected: Stated as Finding Number 2005-01 in current report
2003-003	ORC 5705.41(D) Prior certification of availability not done	No	Not Corrected: Stated as Finding Number 2005-03 in current report
2003-004	ORC 5705.41(B) Expenditures greater than appropriations	No	Not Corrected: Stated as Finding Number 2005-02 in current report



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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
DECEMBER 12, 2006**