

***VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Urbancrest
3357 Central Avenue
Urbancrest, Ohio 43123

We have reviewed the *Report of Independent Accountants* for the Village of Urbancrest, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Urbancrest is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 12, 2012

This page intentionally left blank.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY
For the Years Ending December 31, 2011 and 2010**

TABLE OF CONTENTS

<u>Title</u>	<u>Page #</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2011	3
Statement of Receipts, Disbursements and Changes in Fund Cash Balances – Proprietary Fund Types And Similar Fiduciary Funds For the Year Ended December 31, 2011	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2010	5
Statement of Receipts, Disbursements and Changes in Fund Cash Balances – Proprietary Fund Types And Similar Fiduciary Funds For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7-17
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	18-19
Schedule of Findings	20-22
Schedule of Prior Audit Findings	23

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Urbancrest
Franklin County
3357 Central Avenue
Urbancrest, Ohio 43123

To the Village Council:

We have audited the accompanying financial statements of the Village of Urbancrest, Franklin County, (the Village) as and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 (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.

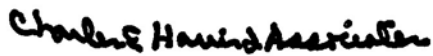
Instead of the combined finds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the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

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

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

As described in Note 4, during 2011 the Village adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.



Charles E. Harris & Associates, Inc.

August 15, 2012

VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2011

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes	\$ 10,542	\$ 6,040	\$ -	\$ 16,582
Municipal Income Tax	846,087	-	-	846,087
Intergovernmental	224,111	33,815	-	257,926
Fines, Licenses and Permits	19,311	-	-	19,311
Earning on Investment	909	163	-	1,072
Miscellaneous	300	-	-	300
Total Receipts	<u>1,101,260</u>	<u>40,018</u>	<u>-</u>	<u>1,141,278</u>
Disbursements:				
Security of Persons & Property	45,296	-	-	45,296
Leisure Time Activities	29,189	-	-	29,189
Community Environment	14,763	-	-	14,763
Transportation	100,533	17,124	-	117,657
General Government	446,436	-	-	446,436
Total Disbursements	<u>636,217</u>	<u>17,124</u>	<u>-</u>	<u>653,341</u>
Total Receipts Over/(Under) Disbursements	<u>465,043</u>	<u>22,894</u>	<u>-</u>	<u>487,937</u>
Fund Cash Balance, January 1, 2011	<u>1,450,614</u>	<u>170,803</u>	<u>351,116</u>	<u>1,972,533</u>
Fund Cash Balance, December 31, 2011				
Restricted	-	170,803	351,116	521,919
Unassigned	<u>1,450,614</u>	<u>-</u>	<u>-</u>	<u>1,450,614</u>
Fund Cash Balance, December 31, 2011	<u>\$1,915,657</u>	<u>\$ 193,697</u>	<u>\$ 351,116</u>	<u>\$ 2,460,470</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2011**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 14,509	\$ -	\$ 14,509
Total Operating Cash Receipts	<u>14,509</u>	<u>-</u>	<u>14,509</u>
Operating Cash Disbursements:			
Personal Services	5,547	-	5,547
Other	1,728	-	1,728
Total Operating Cash Disbursements	<u>7,275</u>	<u>-</u>	<u>7,275</u>
Excess of Receipts Over/(Under) Disbursements	7,234	-	7,234
Non-Operating (Disbursements):			
Miscellaneous	-	(250)	(250)
Capital Outlay	(7,417)	-	(7,417)
Total Nonoperating (Disbursements)	<u>(7,417)</u>	<u>(250)</u>	<u>(7,667)</u>
Total Receipts Over (Under) Disbursements	(183)	(250)	(433)
Fund Cash Balance, January 1, 2011	<u>201,450</u>	<u>750</u>	<u>202,200</u>
Fund Cash Balance, December 31, 2011	<u>\$ 201,267</u>	<u>\$ 500</u>	<u>\$ 201,767</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes	\$ 8,486	\$ 3,973	\$ -	\$ 12,459
Municipal Income Tax	734,502	-	-	734,502
Intergovernmental	137,046	38,133	-	175,179
Fines, Licenses and Permits	32,427	-	-	32,427
Earning on Investment	1,340	202	-	1,542
Miscellaneous	2,192	-	-	2,192
Total Receipts	<u>915,993</u>	<u>42,308</u>	<u>-</u>	<u>958,301</u>
Disbursements:				
Security of Persons & Property	45,666	-	-	45,666
Leisure Time Activities	16,850	-	-	16,850
Community Environment	12,999	-	-	12,999
Transportation	113,547	29,810	-	143,357
General Government	310,587	-	-	310,587
Total Disbursements	<u>499,649</u>	<u>29,810</u>	<u>-</u>	<u>529,459</u>
Total Receipts Over/(Under) Disbursements	416,344	12,498	-	428,842
Fund Cash Balance, January 1, 2010	<u>1,034,270</u>	<u>158,305</u>	<u>351,116</u>	<u>1,543,691</u>
Fund Cash Balance, December 31, 2010	<u>\$1,450,614</u>	<u>\$ 170,803</u>	<u>\$ 351,116</u>	<u>\$ 1,972,533</u>
Reserved for Encumbrances, December 31, 2010	<u>\$ 343,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,617</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2010**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 83,664	\$ -	\$ 83,664
Total Operating Cash Receipts	83,664	-	83,664
Operating Cash Disbursements:			
Personal Services	5,601	-	5,601
Contractual Services	37,229	-	37,229
Other	38	-	38
Total Operating Cash Disbursements	42,868	-	42,868
Total Receipts Over/(Under) Disbursements	40,796	-	40,796
Fund Cash Balance, January 1, 2010	160,654	750	161,404
Fund Cash Balance, December 31, 2010	\$ 201,450	\$ 750	\$ 202,200

See Accompanying Notes to the Financial Statements.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Urbancrest, (the Village) is a body corporate and politic established for the purpose of exercising 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 street maintenance and water utilities operations, park operations, and police protection services. The Village appropriates General Fund money to support a volunteer fire department.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

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

C. CASH AND INVESTMENTS

The Village maintains all available cash in an interest-bearing checking account and certificates of deposit.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

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

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 Funds:

- Capital Improvement Fund - This fund receives donations from businesses within the Village to be used for capital improvements.
- Community Building Grant Fund - This fund receives building grants to be used for capital improvements.

Proprietary Fund Types:

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

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

- 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.

Fiduciary Fund (Agency only):

Agency Fund: Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village had only the following Agency Fund:

- Other Agency – this fund receives deposits and other fees from businesses and individuals doing business within the Village.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

a. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

a. Estimated Resources – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Clerk-Treasurer identifies increases or decreases in revenue.

The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2010 and 2011.

Budget receipts, as shown in Note 8, do not include the unencumbered fund balances as of January 1, 2010 and 2011. However, those fund balances are available for appropriation.

b. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

c. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

c. Encumbrances – (Continued)

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 8.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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.

H. FUND BALANCES

For the year ended December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

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

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. FUND BALANCES – (Continued)

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

2. CASH AND INVESTMENTS

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

	<u>2010</u>	<u>2011</u>
Demand deposits	\$ 2,159,467	\$2,646,967
Certificates of Deposit	<u>15,266</u>	<u>15,270</u>
Total deposits	<u>\$ 2,174,733</u>	<u>\$2,662,237</u>

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

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The Franklin County Treasurer collects property tax on behalf of all taxing Villages within the county. The Franklin County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

4. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of funds or the restatement of the Village's financial statements.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 2 percent on all earned income arising from employment within the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's third party administrator, Regional Income Tax Authority, either monthly or quarterly, as required. The Regional Income Tax Authority remits collected taxes to the Village monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEFINED BENEFIT PENSION PLAN

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2011 and 2010, OPERS members contributed 10.0 percent of their wages. During 2011 and 2010 the Village contributed an amount equal to 14.0 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2011.

7. SOCIAL SECURITY

Some of the Village's elected officials belong to the Social Security Administration and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Village also contributed an amount equal to 6.2% of their wages.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

8. BUDGETARY ACTIVITY

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 885,500	\$1,101,260	\$ 215,760
Special Revenue	34,370	40,018	5,648
Capital Projects	- 0 -	-0-	-0-
Enterprise	32,560	14,509	(18,051)

2011 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,347,549	\$ 636,217	\$ 711,332
Special Revenue	160,084	17,124	142,960
Capital Projects	57,000	- 0 -	57,000
Enterprise	232,943	14,692	218,251

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 781,652	\$ 915,993	\$ 134,341
Special Revenue	33,875	42,308	8,433
Capital Projects	- 0 -	-0-	-0-
Enterprise	107,664	83,664	(24,000)

2010 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,644,808	\$ 843,266	\$ 801,542
Special Revenue	136,978	29,810	107,168
Capital Projects	57,000	- 0 -	57,000
Enterprise	265,402	42,868	222,534

9. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

9. RISK MANAGEMENT (Continued)

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member Villages pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Village.

Financial Position

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

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member Villages in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

9. RISK MANAGEMENT (Continued)

for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$14,000. Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$ 15,429	\$ 13,941

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years.

10. CONTINGENT LIABILITIES/ SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

11. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(D)(1)**, the Village did not obtain prior certification for expenditures for certain disbursements.

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Urbancrest
Franklin County
3357 Central Avenue
Urbancrest, Ohio 43123

To the Village Council:

We have audited the financial statements of the Village of Urbancrest, Franklin County (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 15, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-001.

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 noted certain matters that we have reported to management of the Village in a separate letter dated August 15, 2012.

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



Charles E. Harris & Associates, Inc.

August 15, 2012

VILLAGE OF URBANCREST
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Code Section 5705.41 (D)(1), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time 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 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 expenditure by the Village.

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. 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.

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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

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

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

**FINDING NUMBER 2011-001
(Continued)**

Seventy-three percent of transactions we tested for 2011 and 2010 did not include prior certification of the availability of funds by the Fiscal Officer nor was there any evidence of a “Then and Now” certificate being used. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

Officials’ Response:

The Fiscal Officer will review budgetary requirements, including purchasing.

FINDING NUMBER 2011-002

Material Weakness

Recording of Financial Activity

To assist in the effective management and reporting of financial resources, an entity should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The Village’s 2011 accounting records and financial statements had expenditure classification errors of \$17,191 in the General fund. In 2010, the Village’s accounting records and financial statements had expenditure classification errors of \$16,339 in the General fund. The classification errors consisted of the improper recording of collection of franchise fees.

The failure to correctly record revenues and expenditures could not only impact users’ understanding of the financial operations; it also inhibited the Village’s Council and management’s ability to make sound financial decisions, and may impact the Council’s ability to comply with budgetary laws. The accompanying financial statements have been adjusted to correctly reflect all financial activity.

The Village should review the Village Officers’ Handbook for guidance in the recording of revenues and expenditures. The Village’s Fiscal Officer and Council should also perform a periodic review of the financial records to help identify recording errors.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

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

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>

**FINDING NUMBER 2011-002
(Continued)**

Officials' Response:

We received no response to the finding above.

**VILLAGE OF URBANCREST
CHAMPAIGN COUNTY, OHIO**

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

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-VUFC-001	Contrary to Ohio Rev. Code Section 5705.41(D)(1) , the Village did not properly certify all expenditures.	No	Reissued as finding number 2011-001
2009-VUFC-002	The Village did not properly prepare bank reconciliations and did not properly record several accounting transactions.	No	Partially corrected. Reissued as finding 2011-002
2009-VUFC-003	The Village did not follow Ohio Rev. Code §5705.36 ; the Village had actual revenues less than budgeted revenues.	No	Finding no longer valid



Dave Yost • Auditor of State

VILLAGE OF URBANCREST

FRANKLIN 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 20, 2012