

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004***

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





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Urbancrest  
3357 Central Ave  
Urbancrest, Ohio 43123-1901

We have reviewed the *Report of Independent Accountants* of the Village of Urbancrest, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 to 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 *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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 12, 2007

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**VILLAGE OF URBANCREST  
FRANKLIN COUNTY  
For the Years Ending December 31, 2005 and 2004**

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

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## **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, Ohio as 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years 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 the 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position for the years then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years 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 our report dated December 15, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and 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.***

December 15, 2006

VILLAGE OF URBANCREST  
FRANKLIN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Governmental Fund Types</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
Receipts:				
Property and Other Local Taxes	\$ 12,109	\$ 4,483	\$ -	\$ 16,592
Municipal Income Taxes	417,134	-	-	417,134
Intergovernmental	149,653	19,307	-	168,960
Fines, Licenses and Permits	14,855	-	-	14,855
Interest	11,108	734	-	11,842
Other	17,489	-	-	17,489
<b>Total Receipts</b>	<b>622,348</b>	<b>24,524</b>	<b>-</b>	<b>646,872</b>
Disbursements:				
Security of Persons & Property	36,108	-	-	36,108
Public Health Services	616	-	-	616
Leisure time Activities	81,961	-	-	81,961
Community Environment	10,642	-	-	10,642
Transportation	72,907	675	-	73,582
General Government	241,677	-	-	241,677
<b>Total Disbursements</b>	<b>443,911</b>	<b>675</b>	<b>-</b>	<b>444,586</b>
Receipts over(under) disbursements	178,437	23,849	-	202,286
Fund Balance 1/1/2005	273,053	28,678	32,016	333,747
<b>Fund Balance 12/31/2005</b>	<b>\$ 451,490</b>	<b>\$ 52,527</b>	<b>\$ 32,016</b>	<b>\$ 536,033</b>
Reserve for Encumbrances, December 31	\$ 2,342	\$ -	\$ -	\$ 2,342

See accompanying Notes to the Financial Statements.

VILLAGE OF URBANCREST  
FRANKLIN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Operating Cash Receipts:	
Charges for Services	\$ 19,160
Fines, Licenses and Permits	17,120
Total Operating Cash Receipts	36,280
Operating Cash Disbursements:	
Personal Services	2,814
Employee Fringe Benefits	1,502
Contractual Services	28,900
Other	50
Total Operating Cash Disbursements	33,266
Operating Income (Loss)	3,014
Fund Cash Balances, January 1, 2005	152,831
Fund Cash Balances, December 31, 2005	\$ 155,845
Reserve for Encumbrances, December 31	\$ 45

See accompanying Notes to the Financial Statements.

VILLAGE OF URBANCREST  
FRANKLIN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Governmental Fund Types</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
Receipts:				
Property and Other Local Taxes	\$ 16,801	\$ 5,278	-	\$ 22,079
Municipal Income Taxes	286,227	-	-	286,227
Intergovernmental	138,597	7,337	-	145,934
Fines, Licenses and Permits	123,844	-	-	123,844
Interest	18,374	451	-	18,825
Other	21,506	-	\$ 508	22,014
<b>Total Receipts</b>	<b>605,349</b>	<b>13,066</b>	<b>508</b>	<b>618,923</b>
Disbursements:				
Security of Persons & Property	35,844	-	-	35,844
Public Health Services	1,025	-	-	1,025
Leisure time Activities	18,673	-	-	18,673
Community Environment	13,114	-	-	13,114
Transportation	76,213	2,161	-	78,374
General Government	239,894	-	-	239,894
<b>Total Disbursements</b>	<b>384,763</b>	<b>2,161</b>	<b>-</b>	<b>386,924</b>
Receipts over(under) disbursements	220,586	10,905	508	231,999
Fund Balance 1/1/2004	52,467	17,773	31,508	101,748
<b>Fund Balance 12/31/2004</b>	<b>\$ 273,053</b>	<b>\$ 28,678</b>	<b>\$ 32,016</b>	<b>\$ 333,747</b>

See accompanying Notes to the Financial Statements.

VILLAGE OF URBANCREST  
FRANKLIN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Operating Cash Receipts:	
Charges for Services	\$ 120,115
Total Operating Cash Receipts	120,115
Operating Cash Disbursements:	
Personal Services	846
Employee Fringe Benefits	133
Contractual Services	158,832
Total Operating Cash Disbursements	159,811
Operating Income (Loss)	(39,696)
Non-Operating Cash Receipts/(Disbursements)	
Redemption of Principal	(51,345)
Interest and Other Fiscal Charges	(899)
Total Non-Operating Cash Receipts/(Disbursements)	(52,244)
Net Receipts (Under) Disbursements	(91,940)
Fund Cash Balances, January 1, 2004	244,771
Fund Cash Balances, December 31, 2004	\$ 152,831

See accompanying Notes to the Financial Statements.

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

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.

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, 2005 and 2004**

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 funds:

- 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 Fund:

- Capital Improvement Fund - This fund receives donations from businesses within the Village 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 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.

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

1. 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.

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 2004 and 2005.

Budgeted receipts, as shown in Note 7, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. 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

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

2. Appropriations – (Continued)

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.

3. 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.

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

A summary of 2005 and 2004 budgetary activity appears in Note 7.

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.

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

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>2005</u>	<u>2004</u>
Demand deposits	\$ 646,158	\$ 441,642
Savings	<u>45,720</u>	<u>44,936</u>
Total deposits	<u>\$ 691,878</u>	<u>\$ 486,578</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 are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

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.

The State Board of Tax Equalization adjusts the tax rates for inflation. 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.

Public utilities are also taxed on personal and real property located within the Village. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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.

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

4. 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 monthly.

5. 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 2005 and 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2005.

6. 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.

7. BUDGETARY ACTIVITY

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 449,792	\$ 622,348	\$ 172,556
Special Revenue	12,381	24,524	12,143
Capital Projects	-0-	- 0 -	-0-
Enterprise	120,115	36,280	(83,835)

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

7. BUDGETARY ACTIVITY – (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 698,812	\$ 446,253	\$ 252,559
Special Revenue	19,155	675	18,480
Capital Projects	42,248	- 0 -	42,480
Enterprise	272,946	33,311	239,635

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 377,500	\$ 605,349	\$ 227,849
Special Revenue	7,000	13,066	6,066
Capital Projects	-0-	508	508
Enterprise	25,000	120,115	95,115

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 491,418	\$ 384,763	\$ 106,655
Special Revenue	2,632	2,161	471
Capital Projects	49,931	-0-	49,931
Enterprise	293,900	212,055	81,845

8. RISK MANAGEMENT

The Village has obtained Pool Insurance (Ohio Municipal League Joint Self-Insurance Pool) for the following risks:

- General Liability
- Auto Liability & Auto Physical Damage
- Property Coverage
- Inland Marine
- Public Officials Liability
- Law Enforcement
- Boiler Insurance
- Gatekeepers

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

8. RISK MANAGEMENT – (Continued)

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 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 reinsures 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.

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,063,636	\$ 2,390,150
Liabilities	<u>(3,279,694)</u>	<u>(3,424,271)</u>
Accumulated Deficit	<u><u>\$(1,216,058)</u></u>	<u><u>\$(1,034,121)</u></u>

9. DEBT

Debt outstanding at January 1, 2004 was incorrectly reported as \$53,355 for the Ohio Public Works Commission loan. The amount outstanding at January 1, 2004 was actually \$51,345. This amount was paid off during 2004.

The credit card balance with Huntington National Bank at December 31, 2005 was \$529. The Village utilizes the credit card for some purchases.

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)**, the Village did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures that exceeded appropriations at the legal level of control.
- Contrary to **Ohio Rev. Code Section 5705.14, 15 and 16**, the Village had transfers that did not follow appropriate laws and regulations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To Village Council:

We have audited the financial statements of the Village of Urbancrest, Franklin County, Ohio (Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 15, 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 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 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-VUFC-001, 2005-VUFC-003, 2005-VUFC-005 and 2005-VUFC-006.

A material weakness is a reportable condition in which the design or operation of one or more 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-VUFC-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated December 15, 2006.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-VUFC-002, 2005-VUFC-004, 2005-VUFC-007 and 2005-VUFC-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 15, 2006.

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

***Charles E. Harris and Associates, Inc.***

December 15, 2006

VILLAGE OF URBANCREST  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-VUFC-001

**Material Weakness**

**1. Bank Reconciliations**

As an established control procedure, the current Clerk-Treasurer performs bank to book reconciliations on a monthly basis. Numerous errors were found in these reconciliation reports during the audit; the errors have caused variances between the cashbook fund balance and bank balance. Since the Village's bank reconciliation reports are not reviewed by anyone other than the Clerk-Treasurer, the errors were not detected and corrected timely.

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of the Village Council. The individual(s) should review the monthly reconciliations to provide assurance that the amounts reported are accurate. The individual(s) also should sign and date the reconciliations as evidence the review has been performed. Management agrees and will take appropriate actions to correct in the future.

FINDING NUMBER 2005-VUFC-002

**Noncompliance Citation**

**2. Certification of Expenditures**

**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.

VILLAGE OF URBANCREST  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-VUFC-002  
(Continued)

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.

Twenty-eight percent of transactions we tested for 2005 and 2004 did not include prior certification of the availability of funds by the Clerk-Treasurer 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.

The Clerk-Treasurer will review budgetary requirements, including purchasing and make improvements as necessary.

FINDING NUMBER 2005-VUFC-003

**Reportable Condition**

**3. Loan Payments Misclassified**

Loan payments related to fixed asset purchases were incorrectly classified as Contractual services expenditures during 2004. The proper classification of these payments should have been debt service expenditures. The financial statements have been adjusted to reflect the proper presentation.

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-VUFC-003  
(Continued)**

We recommend that the expenditures be recorded in accordance with the classifications found in the Ohio Village Officer’s Handbook.

The Clerk-Treasurer will properly classify debt service payments in the future.

**FINDING NUMBER 2005-VUFC-004**

**Noncompliance Citation**

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

In addition, Auditor of State Audit Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control. The District’s legal level of control is the at the object level within each function for all funds. The following General Fund object level line items were found to have expenditures plus encumbrances in excess of appropriations for 2005:

Fund/Function/Object	Approved Appropriations	Budgetary Expenditures	Variance
<b>General Fund</b>			
Security of Persons & Property-OPERS	\$ 5,000	\$ 10,118	\$ (5,118)
Security of Persons & Property-Medicare	200	774	(574)
Transportation-Other Personal Services	3,725	7,844	(4,119)
Transportation- Operating Supplies and Materials	7,000	10,842	(3,842)
General Government –Mayor’s Office- Medical/Hospitalization	30,000	35,344	(5,344)
General Government-Lands and Buildings Liability Insurance Premiums	8,000	17,999	(9,999)

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-VUFC-004  
(Continued)**

The following General Fund object level line items had expenditures plus encumbrances that exceeded appropriations at December 31, 2004:

Fund/Function/Object	Approved Appropriations	Budgetary Expenditures	Variance
<b>General Fund</b>			
Security of Persons & Property-Other Personal Services	\$ 12,000	\$ 12,089	\$ (89)
Security of Persons & Property-Travel & Transportation	1,200	1,329	(129)
Security of Persons & Property – Electricity	17,000	21,167	(4,167)
Security of Persons & Property-Traffic Signals-Other Contractual Services	-0-	275	(275)
Security of Persons & Property-Other Security of Persons & Property – Travel & Transportation	-0-	100	(100)
Leisure Time Activities-Provide and Maintain Parks-Buildings and Other Structures	-0-	18,673	(18,673)
Transportation-Other Transportation-Medicare	-0-	437	(437)
General Government-Mayor and Administrative Offices-Salaries/Clerk/Treasurer	6,000	6,631	(631)
General Government-Mayor and Administrative Offices-Salaries/Clerk/Treasurer Staff	43,175	45,505	(2,330)

The Clerk-Treasurer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend Village Council and the Clerk-Treasurer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

The Clerk-Treasurer will review budgetary requirements and implement as necessary.

**FINDING NUMBER 2005-VUFC-005**

**Reportable Condition**

**5. Cash Receipts not Recorded**

The Treasurer must keep accurate accounts of all money received or disbursed identifying the amount, date, payer and payee, and account.

**VILLAGE OF URBANCREST  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS</b>
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**FINDING NUMBER 2005-VUFC-005  
(Continued)**

The Village failed to record several cash receipts from the Regional Income Tax Agency, the Village's income tax collection agent, for the month of August 2004, although the cash receipts were deposited into the Village's bank account. The failure to record these receipts also led to the preparation of incorrect financial statements for the year-end December 31, 2004. The statements for the year-ended December 31, 2004 have been adjusted to account for the unrecorded receipts. The Village agrees with the adjustment.

The Clerk-Treasurer must collect and deposit all Village receipts in a timely fashion, must reconcile bank accounts to the Village books monthly and must record all financial transactions timely.

The Clerk-Treasurer will record all cash receipts into the Village's computer system.

**FINDING NUMBER 2005-VUFC-006**

**Reportable Condition**

**6. Deposits Not Timely**

**Ohio Revised Code Section 9.38** states in part that "A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer or public office or properly designated depository on the business day next following receipt, if the total amount of such moneys received exceeds one thousand dollars. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it." If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

Forty-two percent of deposits tested were not made timely. There was no evidence provided that these undeposited collections were properly safeguarded. The Village accumulated undeposited amounts exceeded \$1,000 numerous times during the audit period.

We recommend the Village Clerk make timely deposits with the Village's depository. If this is not possible, the legislative authority should adopt a policy for collections under \$1,000.

The Clerk-Treasurer and Village Council will review Ohio Revised Code requirements concerning deposits.

VILLAGE OF URBANCREST  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-VUFC-007

7. Fund Not Properly Receiving Interest Income

Ohio Constitution, Article XII, Section 5a states that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. The Fiscal Officer made investment of pooled cash from various funds, including the Street Construction Maintenance and Repair, and did not distribute the interest earned in accordance with the above requirements. The Village should have allocated the following amounts:

<u>Fund Entitled to Interest</u>	<u>2004</u>	<u>2005</u>	<u>Total</u>
Street Construction Maintenance and Repair Fund	\$451	\$734	\$1,185

Also, the Fiscal Officer incorrectly credited \$14,769 of interest to the Other Capital Projects fund. The financial statements have been adjusted to reflect the proper allocation of all interest income. The Village is in agreement and has made the necessary adjustments to its records.

FINDING NUMBER 2005-VUFC-008

8. Improper Transfer of Money Between Funds

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14. During 2004, the Village transferred \$28,479 from the Community Development Block Grant Fund (Capital Projects Fund) to the Other Special Revenue Fund (Special Revenue Fund) and also transferred \$21,960 from the Other Special Revenue to the Capital Improvement Fund (Capital Projects Fund). There was no evidence in the minutes that either transfer was approved by Council. The transfers were adjusted out of the financial statements. The Village is in agreement and has made necessary adjustments to its records.

We recommend the Township refer to the Ohio Revised Code Section 5705.14 prior to making transfers and make transfers accordingly.

VILLAGE OF URBANCREST  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not properly certify all expenditures.	NO	Repeated as finding # 2005-VUFC-002.
2003-002	Contrary to Ohio Rev. Code Section 5705.14, the Village did not follow ORC rules concerning the transfer of money between funds.	NO	Repeated as finding # 2005-VUFC-008.
2003-003	The Village Clerk/Treasurer overpaid a street worker for five months.	YES	Council retroactively increased the hourly rate to the amount paid.
2003-004	The Clerk-Treasurer did not prepare bank reconciliations for the Capital Project and Enterprise fund bank accounts.	PARTIALLY	Repeated as finding # 2005-VUFC-001.
2003-005	The Village had missing documentation for certain receipts and disbursements.	YES	The Village had adequate documentation supporting receipts and disbursements.



**Mary Taylor, CPA**  
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  
MARCH 22, 2007**