

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008

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 Avenue
Urbancrest, Ohio 43123

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, 2008 through December 31, 2009. 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

October 18, 2010

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**VILLAGE OF URBANCREST
FRANKLIN COUNTY
For the Years Ending December 31, 2009 and 2008**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To Village Council:

We have audited the accompanying financial statements of the Village of Urbancrest, Franklin County (the Village), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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, 2009 and 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position 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 and reserves for encumbrances of the Village, as of December 31, 2009 and 2008, and its cash receipts and disbursements and changes in fund cash balances 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, 2009 and 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2010, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 28, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes	\$ 7,707	\$ 4,119	\$ -	\$ 11,826
Municipal Income Tax	716,345	-	-	716,345
Intergovernmental	180,122	50,214	234,856	465,192
Fines, Licenses and Permits	12,940	-	-	12,940
Earning on Investments	2,278	130	-	2,408
Miscellaneous	536	100	-	636
Total Receipts	<u>919,928</u>	<u>54,563</u>	<u>234,856</u>	<u>1,209,347</u>
Disbursements:				
Security of Persons & Property	37,935	-	-	37,935
Leisure Time Activities	34,504	-	-	34,504
Community Environment	12,186	-	-	12,186
Transportation	111,671	23,265	-	134,936
General Government	546,280	-	-	546,280
Capital Outlay	316,207	-	-	316,207
Total Disbursements	<u>1,058,783</u>	<u>23,265</u>	<u>-</u>	<u>1,082,048</u>
Total Receipts Over/(Under) Disbursements	<u>(138,855)</u>	<u>31,298</u>	<u>234,856</u>	<u>127,299</u>
Fund Cash Balance, January 1, 2009	<u>1,173,125</u>	<u>127,007</u>	<u>116,260</u>	<u>1,416,392</u>
Fund Cash Balance, December 31, 2009	<u>\$1,034,270</u>	<u>\$ 158,305</u>	<u>\$ 351,116</u>	<u>\$ 1,543,691</u>
Reserved for Encumbrances, December 31, 2009	<u>\$ 101,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,811</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, 2009**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 16,403	\$ -	\$ 16,403
Total Operating Cash Receipts	16,403	-	16,403
Operating Cash Disbursements:			
Personal Services	5,915	-	5,915
Contractual Services	31,579	-	31,579
Other	129	-	129
Total Operating Cash Disbursements	37,623	-	37,623
Excess of Receipts Over/(Under) Disbursements	(21,220)	-	(21,220)
Fund Cash Balance, January 1, 2009	181,874	750	182,624
Fund Cash Balance, December 31, 2009	\$ 160,654	\$ 750	\$ 161,404
Reserved for Encumbrances, December 31, 2008	\$ 33	\$ -	\$ 66

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, 2008

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes	\$ 8,025	\$ 4,518	\$ -	\$ 12,543
Municipal Income Tax	547,267	-	-	547,267
Intergovernmental	201,429	31,964	55,144	288,537
Fines, Licenses and Permits	2,555	-	-	2,555
Earnings on Investments	12,351	390	-	12,741
Miscellaneous	528	-	-	528
Total Receipts	<u>772,155</u>	<u>36,872</u>	<u>55,144</u>	<u>864,171</u>
Disbursements:				
Security of Persons & Property	44,447	-	-	44,447
Leisure Time Activities	1,760	-	-	1,760
Community Environment	13,930	-	-	13,930
Transportation	85,049	6,814	-	91,863
General Government	366,239	-	-	366,239
Capital Outlay	44,848	-	-	44,848
Total Disbursements	<u>556,273</u>	<u>6,814</u>	<u>-</u>	<u>563,087</u>
Total Receipts Over/(Under) Disbursements	215,882	30,058	55,144	301,084
Fund Cash Balance, January 1, 2008	<u>957,243</u>	<u>96,949</u>	<u>61,116</u>	<u>1,115,308</u>
Fund Cash Balance, December 31, 2008	<u>\$1,173,125</u>	<u>\$ 127,007</u>	<u>\$ 116,260</u>	<u>\$ 1,416,392</u>
Reserved for Encumbrances, December 31, 2008	<u>\$ 1,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302</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, 2008**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Receipts:			
Charges for Services	\$ 19,279	\$ -	\$ 19,279
Fines, Licenses and Permits	-	700	700
Total Receipts	<u>19,279</u>	<u>700</u>	<u>19,979</u>
Disbursements:			
Personal Services	5,055	-	5,055
Contractual Services	40,085	-	40,085
Material and Supplies	76	-	76
Other	815	-	815
Total Disbursements	<u>46,031</u>	<u>-</u>	<u>46,031</u>
Excess of Receipts Over/(Under) Disbursements	<u>(26,752)</u>	<u>700</u>	<u>(26,052)</u>
Fund Cash Balance, January 1, 2008	<u>208,626</u>	<u>50</u>	<u>208,676</u>
Fund Cash Balance, December 31, 2008	<u>\$ 181,874</u>	<u>\$ 750</u>	<u>\$ 182,624</u>
Reserved for Encumbrances, December 31, 2008	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 33</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

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 a savings 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, 2009 and 2008**

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.
- CBDG Grant Fund - This fund receives CDBG 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, 2009 and 2008**

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 Fiscal Officer, 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 Fiscal Officer 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, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

a. Estimated Resources – (Continued)

On or about January 1, the Fiscal Officer 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 Fiscal Officer identifies increases or decreases in revenue.

The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2008 and 2009.

Budget receipts, as shown in Note 7, do not include the unencumbered fund balances as of January 1, 2008 and 2009. 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, 2009 and 2008**

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 2009 and 2008 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.

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>2009</u>	<u>2008</u>
Demand deposits	\$ 1,614,452	\$1,517,285
Savings	<u>90,643</u>	<u>81,731</u>
Total deposits	<u>\$ 1,705,095</u>	<u>\$1,599,016</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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

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 tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, 6.25 percent for 2008, and zero for 2009.

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. 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.

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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

5. DEFINED BENEFIT PENSION PLAN – (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OPERS members contributed 10.0 percent of their wages. During 2009 and 2008 the Village contributed an amount equal to 14.0 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2009.

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

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 648,378	\$ 919,928	\$ 271,550
Special Revenue	33,312	54,563	21,251
Capital Projects	- 0 -	234,856	234,856
Enterprise	210,567	16,403	(171,793)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,586,186	\$ 1,160,594	\$ 425,592
Special Revenue	56,350	23,265	35,085
Capital Projects	78,000	- 0 -	78,000
Enterprise	391,466	37,656	353,810

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 635,034	\$ 772,155	\$ 137,121
Special Revenue	32,342	36,872	4,530
Capital Projects	18,452	55,144	55,144
Enterprise	182,865	19,279	(163,586)

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

7. BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,567,474	\$ 557,575	\$ 1,009,899
Special Revenue	21,650	6,814	14,836
Capital Projects	78,191	- 0 -	78,191
Enterprise	343,526	46,064	297,462

8. DEBT

The Village has repaid the South Western School District for the School District share of income tax revenue from tax abated property by the end of year 2009.

9. RISK MANAGEMENT

The Village belongs to the Public Entities Pool of Ohio (“PEP”), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

PEP retains casualty risks up to \$350,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members’ Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

9. RISK MANAGEMENT – (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2008 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained Earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.7 million and \$15.9 of estimated incurred claims payable. The assets and retained earnings above include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. PEP will collect these amounts in the future annual premium billings when PEP’s related liabilities are due for payment.

Based on discussion 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 each year of the membership.

Contributions to PEP

- 2007 \$13,859
- 2008 13,809
- 2009 13,723

Members may withdraw in each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of their anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus subsequent year’s premium. Also, upon withdrawal, payments of all property and casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

9. RISK MANAGEMENT – (Continued)

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year. The Village also provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

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.
- Contrary to **Ohio Rev. Code Section 5705.36**, the Village did not request an amended certificate of resources when it was determined that collections would be less than the budgeted amount.

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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, Ohio (Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 28, 2010, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 audit 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 certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

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 2009-VUFC-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 an opinion. The results of our tests disclosed several instances of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2009-VUFC-001 and 2009-VUFC-003.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Charles E. Harris & Associates, Inc.

June 28, 2010

VILLAGE OF URBANCREST
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 & 2008

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

FINDING NUMBER 2009-VUFC-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, 2009 & 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2009-VUFC-001
(Continued)**

Eighty-seven percent of transactions tested for 2009 and 2008 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.

Management Response:

The Fiscal Officer will review budgetary requirements, including purchasing.

FINDING NUMBER 2009-VUFC-002

Material Weakness - Bank Reconciliations and Transactions not Recorded

As an established control procedure, the current Fiscal Officer 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. The errors found were unrecorded deposits, unrecorded interest income, unrecorded payments to the Village’s health insurer, the inconsistent recording of municipal income tax collections and the transfer of funds from one bank account to another was incorrectly recorded as an expenditure. All bank reconciliations prepared during the audit period had adjustments, many of which were unexplained and there was no evidence that the unexplained differences were investigated.

The Village’s original cash balances were understated at December 31, 2008 by \$55,515 and also at December 31, 2009 by \$12,812. These differences were evaluated and found to be the result of improper and unrecorded accounting entries and did not appear to be the result of improprieties. The financial statements have been adjusted to correct the above amounts and the Village has agreed and has adjusted its records accordingly.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

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

**FINDING NUMBER 2009-VUFC-002
(Continued)**

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of 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. Also, the Village should present all monthly activity to Council for review and approval.

Management Response:

The Village Council has indicated they will closely review the monthly bank reconciliations and financial activity.

FINDING NUMBER 2009-VUFC-003

Noncompliance Citation

Ohio Revised Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following funds had estimated receipts greater than actual receipts to the extent that the deficiency reduced estimated resources below appropriations:

2009	Variance
Enterprise Funds	
Water Fund	\$ (15,090)
Sewer Fund	(156,703)

2008	Variance
Enterprise Funds	
Water Fund	\$ (12,749)
Sewer Fund	(150,909)

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

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

**FINDING NUMBER 2009-VUFC-003
(Continued)**

By not amending its certificate of estimated resources, the Village cannot make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village Council should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

Management Response:

The Fiscal Officer and Council will review budgetary requirements and implement as necessary.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO**

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

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-VUFC-001	Contrary to Ohio Rev. Code Section 5705.41(D)(1) , the Village did not properly certify all expenditures.	NO	Citation re-issued as finding number 2009-VUFC-001.
2007-VUFC-002	Village did not establish and maintain effective internal controls over Village's credit card usage.	YES	
2007-VUFC-003	The Village did not properly prepare bank reconciliations and did not properly record several accounting transactions.	NO	Citation re-issued as finding number 2009-VUFC-002.
2007-VUFC-004	The Village did not follow Ohio Rev. Code §5705.36 ; the Village had actual revenues less than budgeted revenues at the legal level of control.	NO	Citation re-issued as finding number 2009-VUFC-003.
2007-VUFC-005	The Village did not follow Ohio Rev. Code §5705.39 ; the Village had total appropriations more than total estimated resources at the legal level of control.	YES	



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
NOVEMBER 4, 2010**