

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

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, 2006 through December 31, 2007. 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.

Finding For Recovery:

On November 30, 2007, Jean Hines, former Clerk-Treasurer, issued herself a check in the amount of \$1,245 for an advance on her entire December 2007 wages and "attorney fees." This check payment only contained her signature and was not authorized or approved by Village Council. Jean Hines resigned from office effective December 17, 2007.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jean Hines, former Clerk-Treasurer of Village of Urbancrest, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of \$1,245 and in favor of the Village's General fund.

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.

Village Council
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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

February 10, 2009

**VILLAGE OF URBANCREST
FRANKLIN COUNTY
For the Years Ending December 31, 2007 and 2006**

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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

We have audited the accompanying financial statements of the Village of Urbancrest, Franklin County, Ohio as and for the years ended December 31, 2007 and 2006. 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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, 2007 and 2006, 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, 2007 and 2006, 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 of Urbancrest, Franklin County, as of December 31, 2007 and 2006, 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, 2007 and 2006. 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 July 15, 2008, 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.

July 15, 2008

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, 2007

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 10,037	\$ 4,531	-	\$ 14,568
Municipal Income Taxes	550,860	-	-	550,860
Intergovernmental	214,375	27,130	-	241,505
Fines, Licenses and Permits	24,744	-	-	24,744
Interest	22,891	466	-	23,357
Other	295	-	\$ 22,600	22,895
Total Receipts	823,202	32,127	22,600	877,929
Disbursements:				
Security of Persons & Property	47,483	-	-	47,483
Leisure time Activities	13,343	-	-	13,343
Community Environment	14,683	-	-	14,683
Transportation	73,379	508	-	73,887
General Government	391,172	-	-	391,172
Capital Outlay	712	-	-	712
Total Disbursements	540,772	508	-	541,280
Receipts over(under) disbursements	282,430	31,619	22,600	336,649
Fund Balance 1/1/2007	674,813	65,330	38,516	778,659
Fund Balance 12/31/2007	\$ 957,243	\$ 96,949	\$ 61,116	\$ 1,115,308
Reserve for Encumbrances, December 31	\$ 4,947	\$ -	\$ -	\$ 4,947

See accompanying Notes to the Financial Statements.

VILLAGE OF URBANCREST
FRANKLIN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 94,572	\$ -	\$ 94,572
Total Operating Cash Receipts	<u>94,572</u>	<u>-</u>	<u>94,572</u>
Operating Cash Disbursements:			
Personal Services	2,480	-	2,480
Employee Fringe Benefits	833	-	833
Contractual Services	45,682	-	45,682
Total Operating Cash Disbursements	<u>48,995</u>	<u>-</u>	<u>48,995</u>
Operating Income (Loss)	45,577	-	45,577
Non-Operating Cash Receipts/(Disbursements)			
Non-Operating Receipts	-	1,188	1,188
Non-Operating Disbursements	-	(1,138)	(1,138)
Total Non-Operating Cash Receipts/(Disbursements)	<u>-</u>	<u>50</u>	<u>50</u>
Net Receipts (Under) Disbursements	45,577	50	45,627
Fund Cash Balances, January 1, 2007	<u>163,049</u>	<u>-</u>	<u>163,049</u>
Fund Cash Balances, December 31, 2007	<u>\$ 208,626</u>	<u>\$ 50</u>	<u>\$ 208,676</u>
Reserve for Encumbrances, December 31	<u>\$ 66</u>	<u>\$ -</u>	<u>\$ 66</u>

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, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 20,055	\$ 3,008	\$ -	\$ 23,063
Municipal Income Taxes	482,106	-	-	482,106
Intergovernmental	174,197	26,938	-	201,135
Fines, Licenses and Permits	6,374	-	-	6,374
Interest	20,918	156	-	21,074
Other	95	-	6,500	6,595
Total Receipts	703,745	30,102	6,500	740,347
Disbursements:				
Security of Persons & Property	48,352	-	-	48,352
Leisure time Activities	37,481	-	-	37,481
Community Environment	17,451	-	-	17,451
Transportation	69,877	17,299	-	87,176
General Government	307,261	-	-	307,261
Total Disbursements	480,422	17,299	-	497,721
Receipts over(under) disbursements	223,323	12,803	6,500	242,626
Fund Balance 1/1/2006	451,490	52,527	32,016	536,033
Fund Balance 12/31/2006	674,813	65,330	38,516	778,659
Reserve for Encumbrances, December 31	\$ 84,388	\$ -	\$ -	\$ 84,388

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, 2006

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 154,407
Total Operating Cash Receipts	154,407
Operating Cash Disbursements:	
Personal Services	2,600
Employee Fringe Benefits	690
Contractual Services	117,289
Supplies and Materials	16,624
Capital Outlay	10,000
Total Operating Cash Disbursements	147,203
Operating Income (Loss)	7,204
Fund Cash Balances, January 1, 2006	155,845
Fund Cash Balances, December 31, 2006	\$ 163,049
Reserve for Encumbrances, December 31	\$ 71

See accompanying Notes to the Financial Statements.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

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, 2007 and 2006**

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 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 or 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, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

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.

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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

a. Estimated Resources – (Continued)

The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2006 and 2007.

Budget receipts, as shown in Note 7, do not include the unencumbered fund balances as of January 1, 2006 and 2007. 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.

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

A summary of 2007 and 2006 budgetary activity appears in Note 7.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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>2007</u>	<u>2006</u>
Demand deposits	\$ 872,062	\$1,247,340
Savings	<u>69,646</u>	<u>76,644</u>
Total deposits	<u>\$ 941,708</u>	<u>\$1,323,984</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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

3. PROPERTY TAXES – (Continued)

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. 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5 percent and 9.0 percent, respectively, of their wages. During 2007 and 2006 the Village contributed an amount equal to 13.85 percent and 13.70 percent, respectively, of participants' gross wages. The Village has paid all contributions required through December 31, 2007.

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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

7. BUDGETARY ACTIVITY

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 680,001	\$ 823,202	\$ 143,201
Special Revenue	12,861	32,127	19,266
Capital Projects	-0-	22,600	22,600
Enterprise	127,764	94,572	(33,192)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,034,650	\$ 545,719	\$ 488,931
Special Revenue	41,000	508	40,492
Capital Projects	37,000	- 0 -	37,000
Enterprise	262,600	49,061	213,539

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 490,137	\$ 703,745	\$ 213,608
Special Revenue	15,244	30,102	14,858
Capital Projects	19,854	6,500	(13,354)
Enterprise	124,043	154,407	30,364

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 906,340	\$ 564,810	\$ 341,530
Special Revenue	65,849	17,299	48,550
Capital Projects	43,249	-0-	43,249
Enterprise	271,146	147,274	123,872

8. DEBT

The Village owes the South Western School District \$237,209 for the School District share of income tax revenue from tax abated property. The Village has agreed to repay the outstanding amount in five semi-annual installments of \$50,000 with 6% interest for the outstanding balance.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. April 1, 2007 the Village contracted with Burnham & Flower Agency, Inc. as their broker for the following coverage with the respective companies listed below:

<u>Type</u>	<u>Amount</u>	<u>Limit</u>	<u>Company</u>
Legal Liability	\$ 3,000,000	Per Occurrence	Public Entities Pool
Automobile Liability	\$ 3,000,000	Per Occurrence	Public Entities Pool
Wrongful Acts	\$ 3,000,000	Per Occurrence	Public Entities Pool
Property Coverage	\$ 2,511,500	Limit	Public Entities Pool

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Risk Pool Membership

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 members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 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 Coverage

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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

9. RISK MANAGEMENT – (continued)

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.

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 to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 (latest information available).

	<u>2005</u>	<u>2006</u>
Casualty Coverage		
Assets	\$29,719,675	\$30,997,868
Liabilities	(15,994,168)	(15,875,741)
Net Assets	<u>\$13,725,507</u>	<u>\$15,122,127</u>

	<u>2005</u>	<u>2006</u>
Property Coverage		
Assets	\$4,443,332	\$5,125,326
Liabilities	(1,068,245)	(863,163)
Net Assets	<u>\$3,375,087</u>	<u>\$4,262,163</u>

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 5705.39**, the Village had appropriations that exceeded estimated resources.

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

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 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, 2007 and 2006, and have issued our report thereon dated July 15, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying Schedule of Findings, items 2007-VUFC-001 through 003 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe items 2007-VUFC-002 and 003 described above to be material weaknesses.

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, grants 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 2007-VUFC-001, 004 and 005.

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 July 15, 2008.

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

Charles E. Harris & Associates, Inc.

July 15, 2008

VILLAGE OF URBANCREST
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 & 2006

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

FINDING NUMBER 2007-VUFC-001

Significant Deficiency - 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.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2007-VUFC-001
(Continued)**

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-nine percent of transactions we tested for 2007 and 2006 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.

FINDING NUMBER 2007-VUFC-002

Material Weakness

Management has a key role to play in ensuring the Village establish and maintain effective internal controls. Accordingly, Village management must establish procedures to ensure and document that the Village is complying with applicable legal requirements.

The results of our audit indicated a weakness in management’s role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the noncompliance citations, significant internal control deficiencies and material weaknesses included in our report. The Village has a credit card that is used to buy fuel for the Village’s two vehicles, a dump truck that uses diesel and a Chevrolet S-10 that uses unleaded fuel. While interviewing various Village employees it was learned that credit card activity may include personal usage.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2007-VUFC-002
(Continued)**

Upon further review it was determined that there indeed was use of the credit card that may have been criminal and was turned over to the Ohio Auditor of State for further action. There were several trips to the Sunoco Gas Station that included purchases of unleaded gasoline in amounts far greater than the Village's vehicle could hold. There was also an instance where the vehicle was filled up twice in one day and another instance where the vehicle was filled up on consecutive days. One explanation given to the office personnel that gas was needed for the Village's power tools.

The Village Clerk-Treasurer, who left the Village after the 2007 election, has been alleged of writing herself an additional paycheck. Council has not taken action to demand repayment or to refer this item to the local prosecutor for further action. We have referred this item to the Ohio Auditor of State for further action.

The Village Council has monitoring controls in place. When reviewing expenditures, Council should be aware of the item or service being purchased and review all invoices for amounts, dates and other pertinent data.

Village Council should assure that the Village Clerk-Treasurer performs a monthly bank reconciliation that includes total fund balances being reconciled to total deposits and investments, detailing outstanding checks and any other reconciling items. Village Council should then review the validity of the computations and attest to the reconciliation's accuracy. Village Council should also assure the Clerk-Treasurer maintains and presents to Council monthly the following records; receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Supervisory reviews should be performed by members of Village Council and evidenced by the initials of each member performing the review and the date the review was performed.

The presentation of these records and reviews by Village Council should be noted in Council's minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2007-VUFC-002
(Continued)**

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village. The Village Clerk-Treasurer, Council and Mayor should become familiar with the Ohio Compliance Supplement, which has been provided to the Village, and use this as a tool to assist them in complying with applicable Ohio laws and regulations.

Council indicated they will be more active in accounting matters and supervising financial affairs.

FINDING NUMBER 2007-VUFC-003

Material Weakness - Bank Reconciliations and Transactions not Recorded

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. The errors found were unrecorded deposits, interest income earned by the Village's savings account was not recorded, several payments to the Village's health insurer were not recorded, the inconsistent recording of municipal income tax collections and the transfer of funds from one bank account to another were recorded as an expenditure. All bank reconciliations prepared during the audit period had adjustments, many of which were unexplained and there was no evidence of Council investigating the unexplained differences.

The Village's original cash balances were understated at December 31, 2006 by \$20,839 and were overstated at December 31, 2007 by \$3,546. 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.

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 agrees and will take appropriate actions to correct in the future.

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

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

FINDING NUMBER 2007-VUFC-004

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:

2007	Variance
Enterprise Fund	
Sewer Operating Fund	\$(1,738)

2006	Variance
Capital Projects Fund	
Other Capital Projects Fund	\$(4,733)

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.

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

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

FINDING NUMBER 2007-VUFC-005

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year-end December 31, 2006, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Fund:			
SCMR Fund	\$ 45,133	\$ 65,849	\$ (20,716)

We recommend that the Clerk-Treasurer and Council review estimated resources monthly and amend appropriations as needed.

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

VILLAGE OF URBANCREST
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-VUFC-001	The Village's monthly bank reconciliations contained numerous unexplained adjustments.	NO	Repeated as finding # 2007-VUFC-003.
2005-VUFC-002	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not properly certify all expenditures.	NO	Repeated as finding # 2007-VUFC-001.
2005-VUFC-003	The Village misclassified loan payments.	YES	
2005-VUFC-004	Contrary to Ohio Rev. Code Section 5705.41(B), the Village had expenditures and encumbrances that exceed appropriations.	YES	
2005-VUFC-005	The Village did not record all cash receipts.	NO	Repeated as findings # 2007-VUFC-003
2005-VUFC-006	The Village did not make all deposits in a timely fashion.	YES	
2005-VUFC-007	Contrary to Ohio Constitution, Article XII, Section 5a, the Village did not credit interest income to fund receiving motor vehicle license fees and gas tax revenues.	YES	
2005-VUFC-008	Contrary to Ohio Revised Code Section 5705.15 and .16, the Village improperly transferred money between funds.	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
FEBRUARY 24, 2009