



**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**



**Auditor of State  
Betty Montgomery**



**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Urbancrest Community Improvement Corporation  
Franklin County  
3651 Lincoln  
Urbancrest, Ohio 43213

To the Board of Trustees:

We have audited the accompanying financial statements of the Urbancrest Community Improvement Corporation, Franklin County, Ohio (the Corporation), as of December 31, 2004 and December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Corporation'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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbancrest Community Improvement Corporation, Franklin County, Ohio, as of December 31, 2004 and December 31, 2003, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2006, on our consideration of the Corporation'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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

April 7, 2006

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**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
<i>Cash</i>	<u>\$ 430,215</u>	<u>\$ 528,902</u>
<b>TOTAL ASSETS</b>	<u>430,215</u>	<u>528,902</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<i>Accounts Payable</i>	<u>2,659</u>	<u>9,321</u>
<b>TOTAL LIABILITIES</b>	<u>2,659</u>	<u>9,321</u>
<b>NET ASSETS</b>		
<i>Unrestricted</i>	<u>427,556</u>	<u>519,581</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 430,215</u>	<u>\$ 528,902</u>

The notes to the financial statements are an integral part of this statement.

**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

<b>CHANGE IN UNRESTRICTED NET ASSETS:</b>	<u><b>2004</b></u>	<u><b>2003</b></u>
<b>REVENUE AND SUPPORT</b>		
<i>Interest Income</i>	\$ 5,178	\$ 6,229
<i>Insurance Refund</i>	-	948
Total unrestricted revenue and other support	<u>5,178</u>	<u>7,177</u>
<b>EXPENSES</b>		
<i>Accounting &amp; Auditing Fees</i>	1,055	3,049
<i>Police Force Services</i>	30,000	-
<i>Community Improvement Expenses</i>	48,232	-
<i>Filing Fees</i>	200	400
<i>Legal Fees</i>	2,659	9,000
<i>Property Tax Lien Expense</i>	15,057	-
<i>Appraisal Fees</i>	-	300
<i>Bank Charges</i>	-	50
Total expenses	<u>97,203</u>	<u>12,799</u>
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	(92,025)	(5,622)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>519,581</u>	<u>525,203</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 427,556</u></u>	<u><u>\$ 519,581</u></u>

The notes to the financial statements are an integral part of this statement.



**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Increase/(Decrease) in net assets</i>	\$ (92,025)	\$ (5,622)
<i>Adjustments to reconcile decrease in net assets to net cash used by operating activities:</i>		
<i>Increase / (Decrease) in accounts payable and accrued expenses</i>	(6,662)	9,321
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	(98,687)	3,699
<b>NET INCREASE/(DECREASE) IN CASH</b>	(98,687)	3,699
<b>CASH, BEGINNING OF YEAR</b>	528,902	525,203
<b>CASH, END OF YEAR</b>	\$ 430,215	\$ 528,902

The notes to the financial statements are an integral part of this statement.

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**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2004 AND 2003**

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

Nature of Activities

Urbancrest Community Improvement Corporation ("the Corporation") was incorporated on June 9, 1998. The corporation is a nonprofit community improvement corporation which was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Village of Urbancrest, Ohio and the surrounding area.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No temporarily restricted or permanently restricted net assets were held and accordingly, these financials do not reflect any activity related to these classes of net assets. As permitted by this statement, the Corporation does not use fund accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Income Taxes

The organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Chapters 1702 and 1724 of the Ohio Revised Code.

**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2004 AND 2003  
(Continued)**

**NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Corporation believes that the fair value of its financial instrument, governmental money market funds, is equal to the Corporation's share in the pool as reported by the financial institution, which approximates its carrying value.

**NOTE C – DEPOSITS AND INVESTMENTS**

The Corporation maintains a cash and investments pool all funds use. The carrying amount of cash and investments at December 31 was as follows:

	2004	2003
Demand deposits	\$9,760	\$77,688
Certificates of deposit	150,690	200,000
Total deposits	160,450	277,688
Government Money Market Mutual Fund	254,353	251,214
Total investments	254,353	251,214
Total deposits and investments	\$414,803	\$528,902

**Deposits:** Deposits were insured by the Federal Depository Insurance Corporation in an amount of \$125,173 at December 31, 2004 and \$177,688 at December 31, 2003. At December 31, 2004 and December 31, 2003, \$50,690 and \$100,000 of deposits respectively, were not insured or collateralized.

**Investments:** Investments in Government Money Market Mutual Funds are not evidenced by securities that exist in physical or book-entry form.

**NOTE D – COMMUNITY IMPROVEMENT EXPENSES**

During 2004, the Corporation purchased 2 banners for \$2,232 and a commercial truck for \$46,000, for the Village of Urbancrest, to be used in the economic development of the Village.



**Auditor of State  
Betty Montgomery**

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

Urbancrest Community Improvement Corporation  
Franklin County  
3651 Lincoln  
Urbancrest, Ohio 43213

To the Board of Trustees:

We have audited the financial statements of the Urbancrest Community Improvement Corporation, Franklin County, Ohio (the Corporation) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated April 7, 2006. 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-002 through 2004-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Corporation's management dated April 7, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Corporation'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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Corporation's management dated April 7, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 7, 2006

**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2004-001</b>
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**Alcohol Expenditures – Finding for Recovery - Repaid Under Audit**

*State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose”** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

The Corporation expended public funds in the amount of \$1,154 for the purchase of alcoholic beverages while hosting a reception for the National Conference of Black Mayors (held in Columbus, Ohio) in April 2005. Purchases of alcohol have been determined not to be a “proper public purpose” as described in Auditor of State Bulletin 2003-005. Subsequent to the reception \$353 of alcoholic beverages were returned and the funds deposited with the Corporation.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended would have been issued against Deborah Larkins-Jackson, Treasurer and Marlin West, Mayor of the Village of Urbancrest, jointly and severally, in the amount of eight hundred one dollars (\$801), and in favor of the Urbancrest Community Improvement Corporation.

On June 12, 2006 \$801 was repaid and posted to the Corporation’s accounting ledger.

<b>Finding Number</b>	<b>2004-002</b>
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**Supporting Documentation**

Supporting documentation should be maintained to support all transactions executed by the Corporation. Although alternative audit procedures were able to be performed to determine the proper public purpose of expenditures, the Corporation failed to maintain cancelled checks for 21% of disbursements made and supporting documentation (i.e. invoices or billings for the specific transaction) for \$13,128 or 26% of disbursements made.

**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2004-002 (Continued)</b>
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**Supporting Documentation (Continued)**

We recommend the Corporation maintain supporting documentation, including check copies or electronic images, invoices, and any other relevant supporting documentation for all expenditures. Failure to maintain such documentation for items purchased may compromise management's ability to ensure expenditures are authorized and allowable, and may result in findings for recovery in future periods.

<b>Finding Number</b>	<b>2004-003</b>
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**Bank Reconciliations**

The Corporation's Treasurer did not prepare monthly bank reconciliations during 2003 or 2004. Bank reconciliations should be performed each month to reconcile the Corporation's accounting ledgers to the bank balances.

Failure to perform reconciliations monthly limits management's ability to ensure transactions are properly recorded and may limit the usefulness of financial reports generated from the Corporation's accounting system. Furthermore, without performing monthly bank reconciliations, errors or irregularities may occur and go undetected by management.

We recommend the Treasurer perform monthly reconciliations of bank to book balances. Reconciling items should be identified at the time of the reconciliation. Any unreconciled errors should be investigated by comparing transaction-level activity posted to the accounting ledgers with transaction-level activity reflected on the bank statement. In addition, the bank reconciliations, including original bank statements and documentation supporting any reconciling items, should be reviewed by the Board of Trustees.

<b>Finding Number</b>	<b>2004-004</b>
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**Financial Ledgers**

The Corporation did not maintain accounting ledgers that reflected all transactions of the Corporation during 2003 or 2004. Rather, only a check listing was maintained. Moreover, that check listing failed to account for all checks issued and failed to provide accurate disbursement information for the checks that were recorded.

The Corporation should maintain receipt and disbursement ledgers which separately account for the Corporation's individual receipt and disbursement transactions. The Corporation should also maintain a cash journal that identifies the cash balance following each transaction.



**URBANCREST COMMUNITY IMPROVEMENT CORPORATION  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND DECEMBER 31, 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2004-004 (Continued)</b>
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**Financial Ledgers (Continued)**

Failure to maintain complete and accurate accounting ledgers may compromise management's ability to ensure all transactions are processed and to ensure that no transactions are duplicate processed. Also, management's ability to produce reliable financial information and reconcile to bank balances may be compromised. Furthermore, without maintaining detailed accounting ledgers so that management can identify transactions executed, there may be an increased risk of errors or irregularities occurring and going undetected by management.

We recommend the Corporation implement procedures to generate detailed accounting ledgers which, at a minimum, should identify each cash receipt and disbursement transaction and the Corporation's cash balance.

<b>Finding Number</b>	<b>2004-005</b>
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**Board Monitoring**

There is no evidence the Board of Trustees monitored the Corporation's financial activity throughout 2003 or 2004.

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations. Effective legislative monitoring may help to identify unusual or unexpected account balances or relationships between accounts. Lack of such monitoring may increase the likelihood that possible errors or irregularities may occur and go undetected by management.

We recommend the Board of Trustees review, on a monthly basis, reports of financial activity of the Corporation including detailed revenue and expenditure transactions and cash balance. The Board should carefully review these reports for any unusual or unexpected financial activity or account balances. Appropriate follow-up should be made regarding any unusual balances or transactions. Evidence of the Board's review and approval of any financial reports should be reflected in the minutes of the Board of Trustees.

We did not receive a response from Management to the findings reported above.





**Auditor of State  
Betty Montgomery**

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**URBANCREST COMMUNITY IMPROVEMENT CORPORATION**

**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  
JULY 6, 2006**