



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Cadiz
Harrison County
128 Court Street
Cadiz, Ohio 43907

To the Village Council:

We have audited the accompanying financial statements of the Village of Cadiz, Harrison County, Ohio, (the Village) as of and for the year ended December 31, 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Cadiz as of December 31, 1999, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2000 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

March 13, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$651,104	\$161,789		\$18,011	\$830,904
Special Assessments	2,011				2,011
Intergovernmental Receipts	98,051			1,846,264	1,944,315
Charges for Services	99,145				99,145
Fines, Licenses, and Permits	19,101				19,101
Earnings on Investments	28,019				28,019
Miscellaneous	35,359	63,173		17,007	115,539
Total Cash Receipts	932,790	224,962		1,881,282	3,039,034
Cash Disbursements:					
Current:					
Security of Persons and Property	318,710				318,710
Public Health Services	6,671				6,671
Leisure Time Activities	141,700	1,468			143,168
Community Environment	6,850	113,812			120,662
Transportation	48,319				48,319
General Government	241,792	126,533			368,325
Debt Service:					
Principal Payments		10,000	\$73,638	1,580,000	1,663,638
Interest Payments		1,027	21,243		22,270
Capital Outlay	19,243	42,546		531,227	593,016
Total Cash Disbursements	783,285	295,386	94,881	2,111,227	3,284,779
Total Receipts Over/(Under) Disbursements	149,505	(70,424)	(94,881)	(229,945)	(245,745)
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes			10,000	210,867	220,867
Transfers-In		468	84,881		85,349
Advances-In	47,500			6,000	53,500
Transfers-Out	(41,987)				(41,987)
Advances-Out	(6,000)			(47,500)	(53,500)
Other-Sources	4,017				4,017
Other-Uses	(8,608)			(12,000)	(20,608)
Total Other Financing Receipts/(Disbursements)	(5,078)	468	94,881	157,367	247,638
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	144,427	(69,956)		(72,578)	1,893
Fund Cash Balances January 1	507,349	193,713		207,699	908,761
Fund Cash Balances, December 31	\$651,776	\$123,757		\$135,121	\$910,654
Reserves for Encumbrances, December 31	\$32,490	\$2,647		\$106,536	\$141,673

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$767,854		\$767,854
Miscellaneous		\$18,515	18,515
	<u>767,854</u>	<u>18,515</u>	<u>786,369</u>
Operating Cash Disbursements:			
Personal Services	312,729		312,729
Contractual Services	85,213	518,656	603,869
Supplies and Materials	87,169		87,169
Capital Outlay	19,929		19,929
	<u>505,040</u>	<u>518,656</u>	<u>1,023,696</u>
Operating Income/(Loss)	<u>262,814</u>	<u>(500,141)</u>	<u>(237,327)</u>
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	1,920,000		1,920,000
Other Non-Operating Receipts	19,329	828,904	848,233
	<u>1,939,329</u>	<u>828,904</u>	<u>2,768,233</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>1,955,762</u>		<u>1,955,762</u>
	<u>1,955,762</u>		<u>1,955,762</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	246,381	328,763	575,144
Transfers-Out	<u>(43,362)</u>		<u>(43,362)</u>
Net Receipts Over/(Under) Disbursements	203,019	328,763	531,782
Fund Cash Balances, January 1	<u>412,644</u>	<u>308,261</u>	<u>720,905</u>
Fund Cash Balances, December 31	<u>\$615,663</u>	<u>\$637,024</u>	<u>\$1,252,687</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Cadiz, Harrison County, (the Village) is a body corporate and politic established to exercise 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 general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of 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).

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

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Development Block Grant Revolving Loan Fund - This fund is used to account for loans given to local businesses. The purpose of the loans is to provide low-interest loans to assistance in starting new businesses and/or making improvements to existing businesses.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Water Tank and County Club Road Fund - This fund is used to accumulate funds and make payments on loans, which were obtained to build a water tank and replace water lines.

4. Capital Project Funds

These funds are 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 Project Fund:

United States Department of Agriculture Grant Fund - This fund is used to account for a grant from the United States Department of Agriculture. The grant partially funded the construction of the Village water plant.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Community Improvement Corporation Fund - This fund is used to account for money granted to the Village to promote economic development.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>1999</u>
Demand deposits	\$ 94,816
Certificates of deposit	<u>311,500</u>
Total deposits	<u>406,316</u>
Repurchase Agreement	150,000
STAR Ohio	<u>1,607,025</u>
Total investments	<u>1,757,025</u>
Total deposits and investments	<u><u>\$ 2,163,341</u></u>

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

Investments: Repurchase agreements are held in book-entry form by the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 798,342	\$ 936,807	\$ 138,465
Special Revenue	249,200	225,430	(23,770)
Debt Service	94,881	94,881	0
Capital Projects	975,357	2,092,149	1,116,792
Enterprise	<u>4,233,750</u>	<u>2,707,183</u>	<u>(1,526,567)</u>
Total	<u><u>\$ 6,351,530</u></u>	<u><u>\$ 6,056,450</u></u>	<u><u>\$ (295,080)</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 896,367	\$ 866,370	\$ 29,997
Special Revenue	343,917	298,033	45,884
Debt Service	94,881	94,881	0
Capital Projects	890,198	2,229,763	(1,339,565)
Enterprise	<u>4,100,000</u>	<u>2,504,164</u>	<u>1,595,836</u>
Total	<u><u>\$ 6,325,363</u></u>	<u><u>\$ 5,993,211</u></u>	<u><u>\$ 332,152</u></u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

3. BUDGETARY ACTIVITY (Continued)

The variances in the Capital Projects and Enterprise funds budgeted vs. actual receipts and expenditures are the result of an audit adjustment made to accurately reflect a United States Department of Agriculture grant. Therefore, the Village will not be cited for variances. The adjustment is reflected in the accompanying financial statements.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
USDA Bonds	\$ 1,920,000	5%
Ohio Water Development Authority Loans	304,129	2.0%-10.71%
Ohio Public Works Commission Loans	131,575	0%
Dump Truck Note	10,000	5%
Grader Loan	14,000	0%
Vehicle Leases	46,112	5.32%-10.90%
Total	\$ 2,425,816	

Outstanding general obligation bonds consist of bonds issued to help cover the cost of construction of the Village's waterworks system. Property and revenue of the Village have been pledged to repay this issue.

There was one outstanding note at December 31 with a local bank for the purchase of a dump truck for the street department. Property and revenue of the Village have been pledged to repay this issue.

There were two outstanding loans at December 31 with the Ohio Public Works Commission for water line replacement projects in the Village. The loans are collateralized by Village receipts. The loans were long term, issued for up to ten years.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loans relate to the construction of a water tank and a sewerline. The loans are collateralized by water and sewer receipts. They loan is long term, issued for twenty years.

The Village has entered into a loan with Harrison County for the purchase of a grader for the Street Department.

The Village has entered into leases to purchase several vehicles. A truck has been leased for the street department as well as two police cruisers for the police department. In addition, two tractors have been leased for the maintenance of park grounds. The Village will own all vehicles at the end of the lease term.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Bonds	Dump Truck Note	Vehicle Leases	OPWC Loans	OWDA Loans	Grader Loan
2000	\$ 100,940	\$ 11,027	\$ 22,384	\$ 13,759	\$ 77,522	\$ 7,000
2001	104,395	0	22,384	13,759	48,362	7,000
2002	104,348	0	3,624	13,759	12,801	0
2003	104,267	0	3,020	9,859	12,801	0
2004	104,348	0	0	5,958	12,801	0
2005-2009	521,693	0	0	29,793	64,010	0
2010-2014	521,693	0	0	29,793	64,004	0
2015-2019	521,772	0	0	14,895	64,004	0
2020-2024	521,612	0	0	0	6,401	0
2025-2029	521,746	0	0	0	0	0
2030-2034	521,734	0	0	0	0	0
2035-2039	521,643	0	0	0	0	0
Total	<u>\$ 4,170,191</u>	<u>\$ 11,027</u>	<u>\$ 51,412</u>	<u>\$ 131,575</u>	<u>\$ 362,706</u>	<u>\$ 14,000</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide 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 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Village also provides health insurance coverage to full-time employees through a private carrier.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
Water and Waste Disposal Systems for Rural Communities		10.760	<u>\$3,623,000</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants/State's Program	C-E-83-226-1	14.228	<u>69,857</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Department of Justice</i>			
Law Enforcement Block Grant	96-LE-LEB-3041	16.592	<u>7,576</u>
Total			<u><u>\$3,700,433</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - WATER & WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES

The expenditures of the Water & Waste Disposal Systems for Rural Communities program represent a debt retirement payment to retire bonds which were issued several years prior to the audit period. The bonds were issued to provide the Village's matching requirements of the cost of a waste water project. The Village complied with allowable cost requirements and matching requirements throughout the development and construction of the project.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Cadiz
Harrison County
128 Court Street
Cadiz, Ohio 43907

To the Village Council:

We have audited the accompanying financial statements of the Village of Cadiz, Harrison County, Ohio (the Village), as of and for the year ended December 31, 1999, and have issued our report thereon dated March 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

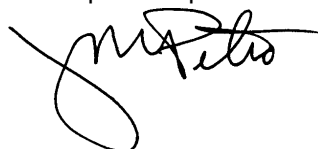
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. This instance of noncompliance is described in the accompanying schedule of findings as item number 1999-31234-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item number 1999-31234-002.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. Our consideration of the internal 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 and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended for the information and use of the management, Village Council, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

March 13, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Cadiz
Harrison County
128 Court Street
Cadiz, Ohio 43907

To the Village Council:

Compliance

We have audited the compliance of the Village of Cadiz, Harrison County, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management and Village Council and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large loop at the end of the signature.

Jim Petro
Auditor of State

March 13, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion.	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level. (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion.	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list): Water and Waste Disposal Systems for Rural Communities	CFDA #10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	A>\$300,000 B-ALL REMAINING No PROGRAMS
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	1999-31234-001

Ohio Revised Code § 733.28 requires the village clerk/treasurer to keep the books of the village, exhibit accurate statements of all monies received and expended, of all the property owned by the village, and the income derived therefore, and of all taxes and assessments.

The Clerk/Treasurer failed to keep accurate records. Ledgers did not accurately reflect all the financial activity of the Village. Issue II funds spent on behalf of the Village for street paving were not reflected on the receipts ledger of the Village. In addition, all debt payments were not properly posted to the appropriations ledger. As a result, the Village books were not an accurate reflection of financial activities.

The Village Clerk/Treasurer should maintain accurate records of all Village financial activity.

Finding Number	1999-31234-002
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Currently, the Village does not have written job descriptions to define specific duties of each position of employment in the Village. Without the formal job descriptions, employees are unable to define their own job duties. The breakdown, as employees perform their daily routines in the accounting function, has caused haphazard record keeping. Village Council should establish specific written job descriptions for all employees and especially for the Clerk/Treasurer and Clerk's Assistant positions.

By creating formal written job descriptions, Council will help ensure that village employees in each position have a clear understanding of their responsibilities. This will aid in ensuring that all transactions flow through the village accounting system in a smooth, uninterrupted manner.



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OFFICE OF THE AUDITOR

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VILLAGE OF CADIZ

HARRISON 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
JUNE 27, 2000**