

VILLAGE OF CADIZ

HARRISON COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2008 & 2007

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Cadiz
128 Court St.
Cadiz, Ohio 43907

We have reviewed the *Report of Independent Accountants* of the Village of Cadiz, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Cadiz is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 2, 2009

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VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Audit Report
For the Years ended December 31, 2008 & 2007

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

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 (Village), Harrison County, Ohio as and for the years ended December 31, 2008 & 2007. 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.

Except as discussed in the following paragraph, 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.

During 2007, the Village made a purchase of a police car from certain improper special revenue and capital project funds. The Village did not make the proper fund balance adjustments in the current audit period.

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, 2008 & 2007. Instead of the combined funds the accompanying financial statements present for 2008 & 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 & 2007. 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 paragraph, the financial statements referred to above for the years ended December 31, 2008 & 2007, 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, 2008 & 2007, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Village purchased the police car from the proper funds, 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, Harrison County, as of December 31, 2008 & 2007, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2008 & 2007. 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 May 25, 2009, 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, 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.
May 25, 2009

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2008

| | Governmental Fund Types | | | (Memorandum Only) Total |
|---|-------------------------|--------------------|---------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | Total |
| RECEIPTS: | | | | |
| Property and Local Taxes | \$ 110,545 | \$ 16,417 | - | \$ 126,962 |
| Municipal Income Tax | 600,029 | 32,610 | \$ 19,566 | 652,205 |
| Intergovernmental | 142,532 | 243,205 | - | 385,737 |
| Special Assessment | 49 | - | - | 49 |
| Charges for Services | 155,489 | - | 2,179 | 157,668 |
| Fines, Licenses and Permits | 54,240 | 487 | - | 54,727 |
| Earnings on Investments | 46,679 | 1,760 | - | 48,439 |
| Miscellaneous | 24,745 | 67 | 6,301 | 31,113 |
| Total Cash Receipts | 1,134,308 | 294,546 | 28,046 | 1,456,900 |
| DISBURSEMENTS: | | | | |
| Security of Persons and Property | 413,120 | - | - | 413,120 |
| Public Health Services | 10,913 | - | - | 10,913 |
| Leisure Time Activities | 185,745 | - | 5,532 | 191,277 |
| Community Environment | 1,581 | - | - | 1,581 |
| Transportation | 184,162 | 253,540 | - | 437,702 |
| General Government | 325,890 | - | 1,000 | 326,890 |
| Capital Outlay | 512 | 52,227 | - | 52,739 |
| Debt Service: | | | | |
| Retirement of Principal | 5,959 | 29,660 | 16,710 | 52,329 |
| Interest and Fiscal Charges | - | 4,629 | 7,516 | 12,145 |
| Total Cash Disbursements | 1,127,882 | 340,056 | 30,758 | 1,498,696 |
| Cash Receipts Over/(Under) Cash Disbursements | 6,426 | (45,510) | (2,712) | (41,796) |
| Other Financing Sources (Uses): | | | | |
| Proceeds of Loan | - | 44,160 | - | 44,160 |
| Sale of Fixed Assets | 1,965 | - | - | 1,965 |
| Other Financing Sources | 12,909 | 11,200 | - | 24,109 |
| Other Financing Uses | (38) | (15,000) | - | (15,038) |
| Total Other Financing Sources (Uses) | 14,836 | 40,360 | - | 55,196 |
| Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses | 21,262 | (5,150) | (2,712) | 13,400 |
| Fund Cash Balance, January 1, 2008 | 765,380 | 244,651 | 38,238 | 1,048,269 |
| Fund Cash Balance, December 31, 2008 | \$ 786,642 | \$ 239,501 | \$ 35,526 | \$ 1,061,669 |
| Reserves for Encumbrances, December 31, 2008 | \$ 5,362 | \$ - | \$ - | \$ 5,362 |

See Accompanying Notes to the Financial Statements

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2008

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>(Memorandum Only) Total</u> |
|--|----------------------------------|--------------------------------|--|
| | <u>Enterprise</u> | <u>Agency</u> | |
| OPERATING CASH RECEIPTS: | | | |
| Charges for Services | \$ 990,037 | - | \$ 990,037 |
| Total Operating Cash Receipts | 990,037 | - | 990,037 |
| OPERATING CASH DISBURSEMENTS | | | |
| Personal Services | 233,671 | - | 233,671 |
| Employee Fringe Benefits | 156,432 | - | 156,432 |
| Contractual Services | 241,429 | \$ 426,472 | 667,901 |
| Materials and Supplies | 127,424 | 1,200 | 128,624 |
| Capital Outlay | 242,385 | 100,000 | 342,385 |
| Other Operating Disbursements | 746 | 2,042 | 2,788 |
| Total Operating Cash Disbursements | 1,002,087 | 529,714 | 1,531,801 |
| Operating Income (Loss) | (12,050) | (529,714) | (541,764) |
| NON OPERATING CASH RECEIPTS (DISBURSEMENTS) | | | |
| Reimbursement from ODOT | - | 74,625 | 74,625 |
| Earnings on Investment | - | 11,573 | 11,573 |
| Proceeds of Loans | 229,745 | - | 229,745 |
| Miscellaneous Receipts | - | 55,364 | 55,364 |
| Other Financing Sources | - | 48,746 | 48,746 |
| Other Financing Uses | - | (160,000) | (160,000) |
| Debt Service: | | | |
| Retirement of Principal | (101,318) | - | (101,318) |
| Interest and Fiscal Charges | (168,711) | - | (168,711) |
| Total Non Operating Cash Receipts (Disbursements) | (40,284) | 30,308 | (9,976) |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | (52,334) | (499,406) | (551,740) |
| Fund Cash Balance, January 1, 2008 | 804,606 | 786,107 | 1,590,713 |
| Fund Cash Balance, December 31, 2008 | \$ 752,272 | \$ 286,701 | \$ 1,038,973 |
| Reserves for Encumbrances, December 31, 2008 | \$ 4,559 | \$ - | \$ 4,559 |

See Accompanying Notes to the Financial Statements

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2007

| | Governmental Fund Types | | | (Memorandum Only) Total |
|---|-------------------------|--------------------|---------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | |
| RECEIPTS: | | | | |
| Property and Local Taxes | \$ 120,597 | \$ 16,751 | - | \$ 137,348 |
| Municipal Income Tax | 628,599 | 34,163 | \$ 20,498 | 683,260 |
| Intergovernmental | 87,165 | 168,563 | - | 255,728 |
| Special Assessment | 265 | - | - | 265 |
| Charges for Services | 153,007 | - | 3,677 | 156,684 |
| Fines, Licenses and Permits | 54,134 | 480 | - | 54,614 |
| Earnings on Investments | 73,663 | 2,064 | - | 75,727 |
| Miscellaneous | 11,934 | - | 2,217 | 14,151 |
| Total Cash Receipts | 1,129,364 | 222,021 | 26,392 | 1,377,777 |
| DISBURSEMENTS: | | | | |
| Security of Persons and Property | 420,718 | - | - | 420,718 |
| Public Health Services | 9,962 | - | - | 9,962 |
| Leisure Time Activities | 206,253 | - | 9,270 | 215,523 |
| Community Environment | 5,562 | - | - | 5,562 |
| Basic Utility Charges | - | - | 500 | 500 |
| Transportation | 180,350 | 147,126 | - | 327,476 |
| General Government | 328,180 | - | - | 328,180 |
| Capital Outlay | 3,835 | 56,848 | 11,226 | 71,909 |
| Debt Service: | | | | |
| Retirement of Principal | 5,959 | 28,418 | 16,438 | 50,815 |
| Interest and Fiscal Charges | - | 5,871 | 7,789 | 13,660 |
| Total Cash Disbursements | 1,160,819 | 238,263 | 45,223 | 1,444,305 |
| Cash Receipts Over/(Under) Cash Disbursements | (31,455) | (16,242) | (18,831) | (66,528) |
| Other Financing Sources (Uses): | | | | |
| Proceeds of Insurance Claim | 2,804 | - | - | 2,804 |
| Other Financing Sources | 7,628 | 11,377 | - | 19,005 |
| Other Financing Uses | (5) | - | - | (5) |
| Total Other Financing Sources (Uses) | 10,427 | 11,377 | - | 21,804 |
| Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses | (21,028) | (4,865) | (18,831) | (44,724) |
| Restated Fund Cash Balance, January 1, 2007 See Note 11 | 786,408 | 249,516 | 57,069 | 1,092,993 |
| Fund Cash Balance, December 31, 2007 | \$ 765,380 | \$ 244,651 | \$ 38,238 | \$ 1,048,269 |
| Reserves for Encumbrances, December 31, 2007 | \$ 5,058 | \$ - | \$ - | \$ 5,058 |

See Accompanying Notes to the Financial Statements

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2007

| | Proprietary Fund Type | Fiduciary Fund Type | (Memorandum Only) Total |
|--|--------------------------|------------------------|-------------------------------|
| | Enterprise | Agency | |
| OPERATING CASH RECEIPTS: | | | |
| Charges for Services | \$ 933,379 | - | \$ 933,379 |
| Total Operating Cash Receipts | 933,379 | - | 933,379 |
| OPERATING CASH DISBURSEMENTS | | | |
| Personal Services | 231,266 | - | 231,266 |
| Employee Fringe Benefits | 144,786 | - | 144,786 |
| Contractual Services | 209,457 | \$ 17,126 | 226,583 |
| Materials and Supplies | 132,063 | 16,211 | 148,274 |
| Capital Outlay | 34,570 | 74,625 | 109,195 |
| Other Operating Disbursements | - | 2,153 | 2,153 |
| Total Operating Cash Disbursements | 752,142 | 110,115 | 862,257 |
| Operating Income (Loss) | 181,237 | (110,115) | 71,122 |
| NON OPERATING CASH RECEIPTS (DISBURSEMENTS) | | | |
| Intergovernmental | 23,596 | - | 23,596 |
| Earnings on Investment | - | 22,273 | 22,273 |
| Proceeds of Loan | 16,500 | - | 16,500 |
| Miscellaneous Receipts | 56,771 | 146,560 | 203,331 |
| Other Financing Sources | - | 41,951 | 41,951 |
| Debt Service: | | | |
| Retirement of Principal | (108,630) | - | (108,630) |
| Interest and Fiscal Charges | (213,748) | - | (213,748) |
| Total Non Operating Cash Receipts (Disbursements) | (225,511) | 210,784 | (14,727) |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | (44,274) | 100,669 | 56,395 |
| Fund Cash Balance, January 1, 2007 | 848,880 | 685,438 | 1,534,318 |
| Fund Cash Balance, December 31, 2007 | \$ 804,606 | \$ 786,107 | \$ 1,590,713 |
| Reserves for Encumbrances, December 31, 2007 | \$ 22,833 | \$ - | \$ 22,833 |

See Accompanying Notes to the Financial Statements

**VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Cadiz, (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 Village Council. The Village provides general governmental services including water and sewer utilities, park operations (leisure time activities), street repair and maintenance and police protection. The Village contracts with the Cadiz Volunteer Fire Department for fire protection 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 by the Auditor of State.

C. CASH AND INVESTMENTS

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investments purchases or receipts for investments sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposits at cost.

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 reports all financial resources except those required to be accounted for in another fund.

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

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

Street Construction, Maintenance and Repair Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

Sally Buffalo/SA Trust Fund - This fund was created using funds left by a Village resident for park improvements at the discretion of the park superintendent.

3. **Capital Projects 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 projects fund:

Water/Sewer Capital Projects Fund- This fund receives local income tax revenue and grants for water/sewer capital projects.

4. **Enterprise Funds**

These funds are used to account for operations that are similar to private business enterprises where management intends that 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 the utility.

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

Tappan Waterline Project Fund – This fund receives intergovernmental receipts to cover the cost of the Tappan Waterline Project.

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

5. **Fiduciary Funds**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Community Improvement Corporation (CIC) Fund (Agency Fund)- This fund is used to account for monies the CIC lends to new and existing businesses within the Village to promote economic development and the repayment of these loans. Also, the CIC charges monthly rent to a corporation for property owned by the CIC.

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations at year-end are carried over to the subsequent year.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 cancelled with the exception of encumbrances for pension payments.

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **PROPERTY, PLANT AND EQUIPMENT**

The Village records disbursements for acquisition of property, plant, and equipment when paid. The accompanying financial statement do not report these items as assets.

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

| | <u>2008</u> | <u>2007</u> |
|-------------------------|---------------------|---------------------|
| Demand Deposits | \$ 180,319 | \$ 598,405 |
| STAR-Ohio | 1,433,306 | 1,553,560 |
| Certificates of Deposit | 486,577 | 486,577 |
| Cash on Hand | <u>440</u> | <u>440</u> |
| Total | <u>\$ 2,100,642</u> | <u>\$ 2,638,982</u> |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2008 & 2007 is as follows:

| <u>Fund Type</u> | <u>2007 Budgeted vs. Actual Receipts</u> | | |
|------------------|--|---------------------|---------------------|
| | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 1,304,906 | \$ 1,139,796 | \$ (165,110) |
| Special Revenue | 242,099 | 233,398 | (8,701) |
| Capital Projects | 28,393 | 26,392 | (2,001) |
| Enterprise | 1,066,271 | 1,030,246 | (36,025) |
| Total | \$ 2,641,669 | \$ 2,429,832 | \$ (211,837) |

| <u>Fund Type</u> | <u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | |
|------------------|--|-----------------------|------------------|
| | Total Appropriations | Total Expenditures | Variance |
| General | \$ 1,244,868 | \$ 1,165,882 | \$ 78,986 |
| Special Revenue | 238,263 | 238,263 | 0 |
| Capital Projects | 45,223 | 45,223 | 0 |
| Enterprise | 1,083,495 | 1,097,353 | (13,858) |
| Total | \$ 2,611,849 | \$ 2,546,721 | \$ 65,128 |

| <u>Fund Type</u> | <u>2008 Budgeted vs. Actual Receipts</u> | | |
|------------------|--|---------------------|--------------------|
| | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 1,271,997 | \$ 1,149,182 | \$ (122,815) |
| Special Revenue | 271,733 | 349,906 | 78,173 |
| Capital Projects | 33,802 | 28,046 | (5,756) |
| Enterprise | 1,229,484 | 1,219,782 | (9,702) |
| Total | \$ 2,807,016 | \$ 2,746,916 | \$ (60,100) |

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

3. **BUDGETARY ACTIVITY** - (continued)

| <u>Fund Type</u> | <u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | |
|------------------|--|-----------------------|---------------------|
| | Total Appropriations | Total Expenditures | Variance |
| General | \$ 1,205,083 | \$ 1,133,282 | \$ 71,801 |
| Special Revenue | 239,214 | 355,056 | (115,842) |
| Capital Projects | 30,759 | 30,758 | 1 |
| Enterprise | 1,111,053 | 1,276,675 | (165,622) |
| Total | \$ 2,586,109 | \$ 2,795,771 | \$ (209,662) |

4. **PROPERTY TAXES**

Real property becomes 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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utility property tax receipts received represent the collection of the previous year's taxes. Public utility real and tangible personal property taxes received in the current year became a lien on December 31, were levied after October 1 of the previous year, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in the current year (other than public utility property) represent the collection of the previous year's taxes. Tangible personal property taxes received in the current year were levied after October 1 of the previous year, on the true value as of December 31 of the previous year. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent, 6.25 percent for 2008, and zero for 2009.

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

**VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are a cost sharing, multiple-employer plans. This plan 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 2007, OPERS members contributed 9.5% of their wages. The Village contributed an amount equal to 13.85% of participants' gross salaries during the years. For 2008, OPERS members contributed 10% of their wages. The Village contributed an amount equal to 14% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2008 and 2007.

Contribution rates are also prescribed by the Ohio Revised Code. For both years, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% for police officers of participants' gross salaries during the years. The Village has paid all contributions required through December 31, 2008 and 2007.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency or business activities within the Village corporation limits as well as certain income of residents earned outside the Village corporate limits.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly, quarterly or as required. Corporation and individual taxpayers pay estimated taxes quarterly and file a declaration annually.

All sums collected were receipted into the General Fund with the following exceptions:

Equipment Fund (2%) for the replacement of equipment and machinery as needed,
Street Paving Fund (3%) for maintenance, repair, paving and resurfacing of Village roadways, streets and alleys,
Capital Projects Fund (3%) for the construction and reconstruction for water and sewer projects.

**VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

7. DEBT

Debt outstanding at December 31, 2008 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|-------------------------|---------------------|----------------------|
| USDA Bonds 1999 | \$ 1,726,200 | 4.50% |
| USDA Bonds 2006 | 1,156,800 | 4.38% |
| OWDA Loan #3199 | 341,672 | 2.00% |
| OWDA Loan #3971 | 683,836 | 2.00% |
| OPWC Loan #CN009 | 50,647 | 0.00% |
| OPWC Loan #CN191 | 10,360 | 0.00% |
| NCB 2005 BAN | 29,781 | 5.06% |
| NCB Bonds Series 2006 | 225,471 | 5.54% |
| Cadiz CIC Loan | 5,250 | 0.00% |
| NCB Police Cruiser | 5,882 | 5.71% |
| NCB Roller Loan | 10,720 | 5.32% |
| NCB Mower Loan | 12,008 | 4.89% |
| Cadiz CIC Water Tower | 195,000 | 1.50% |
| Cadiz CIC Street Paving | 24,000 | 0.00% |
| OPWC Loan #CN12L | 20,160 | 0.00% |
| OWDA Loan #4883 | 34,745 | 5.28% |
| | <u>\$ 4,532,532</u> | |

The outstanding principal balance from the previous audit report was incorrect. The balance has been decreased by \$25,061.

The United States Department of Agriculture (USDA) Water System Mortgage Revenue Bonds were issued on March 15, 1999 in the amount of \$1,920,000 to help cover the cost of constructing the Village's waterworks system. The bonds will mature on March 1, 2039. The Village has agreed to set utility rates sufficient to cover the debt service requirement of the mortgage revenue bonds.

The United States Department of Agriculture (USDA) Water System Mortgage Revenue Bonds, Series 2006, were issued in the amount of \$1,180,000 on April 28, 2006 to refund the National City Bank Bond Anticipation Notes issued on October 28, 2003. The Village will make annual payments with the first payment due on April 1, 2007. The bonds mature on April 1, 2046.

The Ohio Water Development Authority (OWDA) loan #3199 relates to the construction of a water tank and water sewer line project. The loan will be repaid in semi-annual installments of \$17,379 including interest over a twenty-year period. The Village borrowed \$570,210. The loan is collateralized by water receipts and income tax.

The Ohio Water Development Authority (OWDA) loan #3971 relates to the construction of the Tappan Lake Raw Water Transmission Line project. The original loan was for \$845,954 with a 2% interest rate. The loan has a maturity date of twenty years with the first payment due on January 1, 2007 and the final payment due on July 1, 2024. The loan is collateralized by utility receipts and the full faith and credit of the Village.

**VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

7. DEBT - (continued)

The Ohio Public Works Commission (OPWC) loan #CN009 was issued for the East Market Street Water Main Project in the Village. The original loan was issued for \$119,170 for a term of twenty years with a semi-annual payment of \$2,979 each year beginning on January 1, 1998. The loan is collateralized by the Village's taxing authority.

The Ohio Public Works Commission (OPWC) loan #CN19I was issued for the 2007 Street Program in the Village. The original loan was issued for \$14,800 for a term of ten years with semi-annual payments of \$740 each year beginning on July 1, 2008. The loan is collateralized by the Village's taxing authority.

The National City Bank (NCB) 2005 Five Year General Obligation Bond Anticipation Note was issued in the amount of \$69,646 for the purpose of paying for an International 7400 dump/plow truck for the Village's transportation department. The note matures on March 11, 2010. The Village makes annual payments of \$16,116 with the first payment due on March 11, 2006. The loan is collateralized by the Village's taxing authority.

The National City Bank (NCB) Water System Improvement Bond, Series 2006, was issued in the amount of \$250,000 for improvement to the water lines of the Village. The bond matures on April 28, 2021. The first payment is due on April 28, 2007. The loan is collateralized by water receipts.

In the previous audit period, the Cadiz Community Improvement Corporation Loan (CIC) was issued in the amount of \$60,000 for the purpose of paying for a study that will identify the sources of infiltration in the sewer system and determine the feasibility of servicing 56 homes within the Village that currently do not have the connection to the system. The Village received a \$20,000 state grant used towards payment of the loan. The Village makes thirty-two monthly payments of \$1,250 with the first payment due in July 2007. The Village placed a sewer surcharge on customer's bills to cover the cost of the study. In 2007, the Village received \$16,500 of additional funds from the CIC for further studies.

The National City Bank (NCB) 2006 Three Year General Obligation Bond Anticipation Note was issued in the amount of \$16,754 for the purpose of paying for a 2006 Chevrolet Impala Police Cruiser. The note matures in July 2009. The Village makes annual payments of \$6,234 with the first payment due on July 1, 2007. The loan is collateralized by the Village's taxing authority.

The National City Bank (NCB) 2007 Five Year General Obligation Bond Anticipation Note was issued in the amount of \$17,000 for the purpose of paying for a roller for the street department. The note matures in October 2011. The Village makes annual payments of \$3,961 with the first payment due on October 1, 2007. The loan is collateralized by the Village's taxing authority.

The National City Bank (NCB) 2007 Five Year General Obligation Bond Anticipation Note was issued in the amount of \$28,000 for the purpose of paying for a mower for the street department. The note matures in June 2010. The Village makes annual payments of \$6,448 with the first payment due on June 6, 2008. The loan is collateralized by the Village's taxing authority.

The Cadiz Community Improvement Corporation Loan (CIC) was issued in the amount of \$195,000 for construction of the Industrial Park waterline and water tower that is jointly conducted with Harrison County. The Village will make annual payments of \$12,500 with the first payment due in December 2009.

**VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

7. DEBT - (continued)

The Cadiz Community Improvement Corporation Loan (CIC) was issued in the amount of \$24,000 for the purpose of conducting various paving projects within the Village. The Village will make annual payments of \$8,000 with the first payment due in December 2009.

The Ohio Public Works Commission (OPWC) loan #CN12L was issued for the purpose of conducting various paving projects within the Village. The original loan was issued for \$20,160 for a term of ten years with semi-annual payments of \$1,008 each year beginning on July 1, 2009. The loan is collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loan #4883 relates to the inflow sewer study. The approved amount of the loan was for \$91,030 with a 5.28% interest rate. The Village has only expended \$34,744 as of December 31, 2008. The loan has a maturity date of January 1, 2014. The loan is collateralized by utility receipts and the full faith and credit of the Village. An amortization schedule is not available.

The Village issued revenue improvement bonds on behalf of the Harrison Community Hospital in the amount of \$3,000,000 dated December 1, 2006. The interest rate is variable. The hospital is responsible for the principal and interest payments. The Hospital only provided the agreed upon principal. The interest due by year was not available.

The agreed principal redemption amount by year are as follows:

| Year Ending December 31 | Hospital Bonds |
|----------------------------|--------------------|
| 2009 | \$55,000 |
| 2010 | 60,000 |
| 2011 | 60,000 |
| 2012 | 65,000 |
| 2013 | 70,000 |
| 2014-2018 | 425,000 |
| 2019-2023 | 565,000 |
| 2024-2028 | 760,000 |
| 2029-2033 | 915,000 |
| Total | \$2,975,000 |

VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007

7. DEBT - (continued)

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

| Year Ending December 31 | USDA Bonds 1999 | USDA Bonds 2006 | OWDA Loan #3199 | OWDA Loan #3971 | OWPC Loan #CN009 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| 2009 | \$104,279 | \$62,989 | \$34,757 | \$51,528 | \$5,959 |
| 2010 | 104,382 | 62,989 | 34,757 | 51,528 | 5,959 |
| 2011 | 104,326 | 62,989 | 34,757 | 51,528 | 5,959 |
| 2012 | 104,317 | 62,989 | 34,757 | 51,528 | 5,959 |
| 2013 | 104,349 | 62,989 | 34,757 | 51,528 | 5,959 |
| 2014-2018 | 521,752 | 314,945 | 173,787 | 231,876 | 20,852 |
| 2019-2023 | 521,705 | 314,945 | 52,139 | 283,404 | - |
| 2024-2028 | 521,645 | 314,945 | - | 51,528 | - |
| 2029-2033 | 521,660 | 314,945 | - | - | - |
| 2034-2038 | 521,772 | 314,945 | - | - | - |
| 2039-2043 | 104,291 | 314,945 | - | - | - |
| 2044-2046 | - | 188,967 | - | - | - |
| Total | \$3,234,478 | \$2,393,582 | \$399,711 | \$824,448 | \$50,647 |

| Year Ending December 31 | OPWC CN19I | NCB 2006 Bond | NCB BAN | Cadiz CIC Loan | NCB Police Cruiser |
|----------------------------|-----------------|------------------|-----------------|-------------------|-----------------------|
| 2009 | \$740 | \$25,597 | \$16,116 | \$5,250 | \$6,234 |
| 2010 | 1,480 | 25,466 | 16,116 | - | - |
| 2011 | 1,480 | 25,329 | - | - | - |
| 2012 | 1,480 | 25,186 | - | - | - |
| 2013 | 1,480 | 25,036 | - | - | - |
| 2014-2018 | 3,700 | 122,686 | - | - | - |
| 2019-2021 | - | 71,329 | - | - | - |
| Total | \$10,360 | \$320,629 | \$32,232 | \$5,250 | \$6,234 |

| Year Ending December 31 | NCB Roller | NCB Mower | CIC Water Tower | CIC Street Loan | OPWC CN12L |
|----------------------------|-----------------|-----------------|--------------------|--------------------|-----------------|
| 2009 | \$3,961 | \$6,448 | \$12,500 | \$8,000 | \$1,008 |
| 2010 | 3,961 | 6,448 | 12,500 | 8,000 | 2,016 |
| 2011 | 3,961 | - | 12,500 | 8,000 | 2,016 |
| 2012 | - | - | 12,500 | - | 2,016 |
| 2013 | - | - | 12,500 | - | 2,016 |
| 2014-2018 | - | - | 62,500 | - | 10,080 |
| 2019-2023 | - | - | 62,500 | - | 1,008 |
| 2024-2025 | - | - | 25,000 | - | - |
| Total | \$11,883 | \$12,896 | \$212,500 | \$24,000 | \$20,160 |

**VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts which vary from Member to Member.

Plan Members are responsible to notify the Plan of their intent to renew coverages by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| | <u>2007</u> | <u>2006</u> |
|-----------------|---------------------|---------------------|
| Assets | \$ 11,136,455 | \$ 9,620,148 |
| Liabilities | (4,273,553) | (3,329,620) |
| Members' Equity | <u>\$ 6,862,902</u> | <u>\$ 6,290,528</u> |

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

9. CONTINGENT LIABILITIES

The Village may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

**VILLAGE OF CADIZ
HARRISON COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2008 & 2007**

10. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village did not always certify funds.

Contrary to Ohio Revised Code Section 5705.41 (B), prohibits a subdivision from making expenditures unless they have been appropriated. The Village had expenditures exceeding appropriations in various funds in both years.

Contrary to Ohio Revised Code Section 5705.10 and 5705.09, the Village improperly expended funds out of numerous funds.

Contrary to Ohio Revised Code Section 5705.36(A)(4), in both years the Village had one fund's actual receipts lower than estimated receipts, where the deficiency reduced the estimated resources below the level of appropriations in those funds.

11. RESTATEMENT OF BEGINNING BALANCES

The Village's Expendable Trust Fund was reclassified as a special revenue fund in accordance with Audit Bulletin 2005-005. The adjustments were as follow:

| | Fund Types | |
|--|--------------------|---------------------|
| | Special Revenue | Expendable Trust |
| Fund Cash Balance December 31, 2006 | \$206,547 | \$42,969 |
| Restatement | 42,969 | (42,969) |
| Fund Cash Balance January 1, 2007 | \$249,516 | \$0 |

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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 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 years ended December 31, 2008 and 2007, and have issued our report thereon dated May 25, 2009, 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. Also, we qualified our opinion due to the purchase of a police car out of the incorrect funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control 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 accounting practices the Auditor of State prescribes 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 2008-VCHC-02 through 2008-VCHC-04 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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies 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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the schedule of findings as items 2008-VCHC-01 through 2008-VCHC-03 and 2008-VCHC-05.

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 also noted certain matters that we have reported to management of the Village in a separate letter dated May 25, 2009.

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

Charles E. Harris and Associates, Inc.
May 25, 2009

VILLAGE OF CADIZ
HARRISON COUNTY

SCHEDULE OF FINDINGS
December 31, 2008 and 2007

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

Finding Number 2008-VCHC-01 – Non-compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 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.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for 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 expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount 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.

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

VILLAGE OF CADIZ
HARRISON COUNTY

SCHEDULE OF FINDINGS (continued)
December 31, 2008 and 2007

| |
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| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p> |
|--|

Finding Number 2008-VCHC-01 – Non-Compliance Citation and Material Weakness

The Village did not make the proper certification of funds in all instances. Forty of 52 selections tested during the audit period had the certifications after the obligation date. Also, there were eight instances where “then and now certificates” were not approved by Council. We recommend that the Village institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate. Also, we recommend that Council approve all “then and now certificates.”

Management Response: This is how it was always done in the past. It is hard to get the department heads to comply with this. The Fiscal Officer will speak with the Finance Committee about the problem.

Finding Number 2008-VCHC-02 – Non-Compliance Citation and Material Weakness

Ohio Revised Code Section 5705.10 provides that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special revenue fund for such purpose. In addition, Ohio Revised Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenue derived from a source other than general property tax, which law requires to be used for a particular purpose.

In 2007, the Village purchased a police cruiser and accessories for \$19,685. The expenditures were paid out of nine funds. However, only two funds, the General Fund and the Equipment Fund, were permitted to make such expenditure. The Village incorrectly expended monies out of the following funds:

- Parking Grant Fund – Special Revenue Fund (\$525)
- CHNR Grant Fund – Special Revenue Fund (\$2,248)
- Downtown Revitalization Phase I Fund – CDBG – Capital Projects Fund (\$1,304)
- Downtown Revitalization Phase II Fund – Capital Projects Fund (\$25)
- Water Plant Fund – Capital Projects Fund (\$849)
- Downtown Revitalization Phase I Fund - General – Capital Projects Fund (\$2,155)
- South Industrial Park Fund – Capital Projects Fund (\$4,440)

Management’s Response: This was done by the previous clerk to close out old grant accounts.

VILLAGE OF CADIZ
HARRISON COUNTY

SCHEDULE OF FINDINGS (continued)
December 31, 2008 and 2007

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|--|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p> |
|--|

Finding Number 2008-VCHC-03 – Non-Compliance Citation and Material Weakness

The Village obtained four loans and modified one loan during the audit period. The Village did not properly record loans in their books.

The Village obtained a \$195,000 loan from the Cadiz CIC for their share of the Industrial Park Waterline and Water Tower Project in conjunction with Harrison County. The financial statements were adjusted to reflect the activity in the Water Debt Fund – Enterprise Fund.

The Village modified their sewer system feasibility loan with the Cadiz CIC adding \$16,500 to the principal balance. The financial statements were adjusted to reflect the activity in the Sewer Operating Fund – Enterprise Fund.

The Village obtained a \$24,000 loan from the Cadiz CIC along with \$71,600 Issue II Project. The Village did not record the \$24,000 loan. However, the Village did record the Issue II Project in the General Fund rather than the Street Paving Fund. The financial statements were adjusted to reflect the activity in the General Fund and Street Paving Fund – Special Revenue Fund.

The Village obtained a \$20,160 loan from the Ohio Public Works Commission for paving projects in the Village. The Village did not record the proceeds of the loan in their books. The financial statements were adjusted to reflect the activity in the Street Paving Fund – Special Revenue Fund.

The Village obtained partial loan disbursements from the Ohio Water Development Authority (OWDA) for their inflow and infiltration study. The Village recorded \$34,340 in the Sewer Surcharge Fund – Enterprise in the intergovernmental revenue line item rather than the proceeds of loan line item. Also, the \$400 OWDA administrative fee was not recorded as activity. The financial statements were adjusted to reflect the activity.

The adjustments above caused to the expenditures plus encumbrances to exceed appropriations for 2008 in the Street Paving Fund – Special Revenue Fund and Water Fund – Enterprise Fund by \$115,961 and \$195,000, respectively, contrary to Ohio Revised Code 5705.41(B). Also, expenditures plus encumbrances exceeded appropriations in 2007 in the Sewer – Enterprise Fund for \$16,500.

Management's Response: The Village did not record the \$195,000 and the \$24,000 loans in 2008 since the terms of the loan were not finalized in 2009. They believed that the finalization of the loans constituted the receipt of the funds. Also, the Village had posting errors.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF FINDINGS (continued)
December 31, 2008 and 2007**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued) |
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Finding Number 2008-VCHC-04 Material Weakness

The Village incorrectly recorded cashing in a certificate of deposit as a receipt and purchasing a certificate of deposit as a disbursement.

In 2007, the Village closed two CD's from Sky Bank resulting in \$75,000. The Village combined the two CD's and opened a new CD with National City Bank. The Village recorded the closing of the two CD's as a special item in the General Fund. The purchased of the new CD was recorded as other financing uses in the General Fund.

In 2008, the Village closed a \$160,000 CD for the Cadiz CIC. The transaction was recorded as a receipt under the CIC Fund in extraordinary items. The Cadiz CIC then loaned the funds to a local business that was recorded as other financing uses.

The financial statements were adjusted to reverse the activity for all the above transactions.

We recommend that the Village not record the closing of a CD as a receipt and the purchase of a CD as a disbursement. The activity should be recorded in their investment ledger.

Management Response: The new fiscal officer recorded the transaction similar to the way the previous clerk recorded the CD's in 2007. The fiscal officer will properly record transactions in the future.

Finding Number 2008-VCHC-05 – Non-Compliance Citation

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

| <u>2008 Fund</u> | <u>Estimated Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|-------------------------------------|-------------------------------|----------------------------|-----------------|
| Tappan Water Fund - Enterprise Fund | \$50,000 | \$0 | (\$50,000) |
| <u>2007 Fund</u> | | | |
| Tappan Water Fund - Enterprise Fund | \$50,000 | \$0 | (\$50,000) |

We recommend that the Village adjust their estimated resources to reflect the actual anticipated revenue.

Management Response: Management will correct the situation in the future.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008 and 2007**

The prior report, for the years ending December 31, 2006 and 2005, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 15, 2009**