

**VILLAGE OF CADIZ COMMUNITY
IMPROVEMENT CORPORATION**

HARRISON COUNTY

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017



OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

Members of the Board
Village of Cadiz Community Improvement Corporation
128 Court St
Cadiz, OH 43907

We have reviewed the *Independent Auditor's Report* of the Village of Cadiz Community Improvement Corporation, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

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 Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2019

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**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Village of Cadiz Community Improvement Corporation
Harrison County
128 Court Street
Cadiz, Ohio 43907

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Cadiz Community Improvement Corporation, Harrison County, Ohio as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles


As described in Note 1 of the financial statements, the Corporation prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Cadiz Community Improvement Corporation as of 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 21, 2019

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018
Cash Disbursements:	
Current:	
Contractual Services	\$ 136,844
Other	665
	137,509
Other Financing Receipts/(Disbursements)	
Sale of Fixed Assets	446,020
Leases and Loan Receipts	202,357
	648,377
Excess of Cash Receipts and Other Financing Receipts Over/Under Cash Disbursements and Other Financing Disbursements	510,868
Fund Cash Balances, January 1	321,672
Fund Cash Balances, December 31	\$ 832,540

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

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The Village of Cadiz Community Improvement Corporation (the Corporation) is an Ohio non-profit corporation and was incorporated in 1998 under authority of Ohio Revised Code Section 1702.01 and Chapter 1724. The Corporation is governed by 9 trustees, consisting of the mayor and two council members of the Village of Cadiz and six members comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development in the Village of Cadiz.

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

B. Basis of Accounting

Although required by Ohio Revised Code Section 1724.05 to file its annual report pursuant to accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement on a cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other generally accepted accounting principles. The basis of accounting 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.

This statement includes adequate disclosure of material matters.

C. Tax Status

The Corporation is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. By virtue of Ohio law the Corporation is not subject to Ohio income taxes.

D. Property, Plant, and Equipment

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

2. DEPOSITS

The corporation has entered into an agency agreement with the Village of Cadiz to be the custodian of the Corporation's deposits and accounting system. The Village's deposit and investment pool holds the Corporation's assets, valued at the Village's reported carrying amount.

3. RISK MANAGEMENT

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Wrongful acts and dishonesty bond

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There were no significant reductions in coverage from prior year.

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

4. LOANS

The Corporation has entered into various loans. The following schedule lists the outstanding loans at December 31, 2018 and delinquent amount, if applicable.

Borrower	Loans Outstanding at 12/31/2018	Loans Delinquent at 12/31/2018
Bayform Holding LLC	\$ 483,338	\$ -
Frontz Just Things	10,721	10,721
Heavistar	27,978	27,978
Lee J. Ledger and Wanda S. Ledger	11,359	11,359
MaCol Maching, Inc.	9,796	9,796
James Pollock	37,947	37,947
Schloss Media/News Herald	32,369	-
Schloss Media/Merchanette	60,026	-
John Visser	12,320	-
Total	\$ 685,854	\$ 97,801

In 2008, the Corporation received a Judgment Entry and Decree of Foreclosure for James A Pollock. The Corporation does not expect to collect this remaining balance on the James A. Pollock loan. In addition, the Corporation received proceeds in the amount of \$3,726 from an auction of Heavistar assets. The Corporation does not expect to collect on the remaining balance of this loan. The loan to Lee J. Ledger and Wanda S. Ledger is also in bankruptcy and the Corporation does not expect to collect the balance of this loan. The Corporation is in the process of writing these loans off as they will not be collectable.

5. LEASE/RENT AGREEMENTS

Also, the Corporation has lease/rent agreements with Tappan Holdings, Inc., J.W Energy, Belmont College and Two Guns Construction LLC.

6. SUBSEQUENT EVENTS

In 2018, the Corporation was granted a \$400,000 Nature Trail Grant. The grant activity has not started as of the end of 2018 but will start in 2019.

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>
Cash Disbursements:	
Current:	
Contractual Services	\$ 179,886
Supplies and Materials	101
Other	<u>728</u>
 Total Cash Disbursements	 <u>180,715</u>
 Other Financing Receipts/(Disbursements)	
 Capital Outlay	 (78,714)
Leases and Loan Receipts	<u>535,533</u>
 Total Other Financing Receipts/(Disbursements)	 <u>456,819</u>
 Excess of Cash Receipts and Other Financing Receipts Over/Under Cash Disbursements and Other Financing Disbursements	 276,104
 Fund Cash Balances, January 1	 <u>45,568</u>
 Fund Cash Balances, December 31	 <u><u>\$ 321,672</u></u>

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

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

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

B. Basis of Accounting

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This statement includes adequate disclosure of material matters.

C. Tax Status

The Corporation is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. By virtue of Ohio law the Corporation is not subject to Ohio income taxes.

D. Property, Plant, and Equipment

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The corporation has entered into an agency agreement with the Village of Cadiz to be the custodian of the Corporation's deposits and accounting system. The Village's deposit and investment pool holds the Corporation's assets, valued at the Village's reported carrying amount.

3. RISK MANAGEMENT

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Wrongful acts and dishonesty bond

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There were no significant reductions in coverage from prior year.

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

4. LOANS

The Corporation has entered into various loans. The following schedule lists the outstanding loans at December 31, 2017 and delinquent amount, if applicable.

Borrower	Loans Outstanding at 12/31/2017	Loans Delinquent at 12/31/2017
Frontz Just Things	\$ 10,721	\$ 10,721
Heavistar	27,978	27,978
Lee J. Ledger and Wanda S. Ledger	11,359	11,359
MaCol Maching, Inc.	9,796	9,796
James Pollock	37,947	37,947
Schloss Media/News Herald	38,621	-
Schloss Media/Merchanette	74,879	-
John Visser	15,767	-
Total	\$ 227,068	\$ 97,801

In 2008, the Corporation received a Judgement Entry and Decree of Foreclosure for James A. Pollock. The Corporation does not expect to collect this remaining balance on the James A. Pollock loan. In addition, the Corporation received proceeds in the amount of \$3,726 from an auction of Heavistar assets. The Corporation does not expect to collect on the remaining balance of this loan. The loan to Lee J. Ledger and Wanda S. Ledger is also in bankruptcy and the Corporation does not expect to collect the balance of this loan. The Corporation is in the process of writing these loans off as they will not be collectable.

5. LEASE/RENT AGREEMENTS

Also, the Corporation has lease/rent agreements with Tappan Holdings, Inc., J.W Energy, Belmont College, Harrison Hills School District, and Letourneau.

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

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

Village of Cadiz Community Improvement Corporation
Harrison County
128 Court Street
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cadiz Community Improvement Corporation, Harrison County, Ohio (the Corporation) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 21, 2019, wherein we issued an adverse opinion on the 2018 and 2017 financial statements due to the Corporation failing to prepare financial statements that followed accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2018-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated June 21, 2019.

Entity's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 21, 2019

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001 - Noncompliance

Ohio Rev. Code § 1724.05 requires each community improvement corporation established under Ohio Rev. Code Chapter 1724 to report annually in accordance with generally accepted accounting principles. Auditor of State Bulletin 2005-002 describes the accounting and financial statement presentation requirements for GAAP-mandated entities.

Each community improvement corporation shall prepare an annual financial report that conforms to rules prescribed by the Auditor of State pursuant to § 117.20 of the Revised Code, that is prepared according to generally accepted accounting principles, and that is certified by the Board of Directors of the Corporation or its treasurer or other chief fiscal officer to the best knowledge and belief of those persons certifying the report. The financial report shall be filed with the Auditor of State within one hundred twenty days following the last day of the Corporation's fiscal year, unless the Auditor of State extends that deadline. The Auditor of State may establish terms and conditions for granting any extension of that deadline. The financial report shall be published on the Corporation's web site, or if the Corporation does not have a web site, on the web site of the county in which the Corporation is located.

The Corporation prepared its financial statements and notes on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit the financial position of the Corporation at December 31, 2018 and 2017, changes in financial position or cash flows, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other legal administrative remedies may be taken against the Corporation.

We recommend the Corporation take the necessary steps to ensure that the annual financial report is prepared and filed in accordance with generally accepted accounting principles to avoid noncompliance with the Ohio Revised Code and potential fines.

**VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-002	Ohio Rev. Code § 1724.05 – Not preparing the annual report on a GAAP Basis of Accounting.	Not corrected	Repeated in current year Schedule of Findings as Finding 2018-001
2016-001	Posting Receipts	Fully corrected	N/A

VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2018 and 2017

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2018-001	The Board will consider hiring an accountant in the future to prepare GAAP statements.	Year-end 2019	Mike Silva, Board President

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION

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 12, 2019**