



Dave Yost • Auditor of State

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 (the Corporation), as of and for the years ended December 31, 2014 and 2013, 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 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 provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the Corporation prepared these financial statements using the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position and results of operations where applicable, of the Village of Cadiz Community Improvement Corporation, Harrison County, Ohio, as of and for the years ended December 31, 2014 and 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 5, 2015

**CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Cash Disbursements:		
Current:		
Contractual Services	\$ 118,391	\$ 142,569
Supplies and Materials	78,812	19,380
Other	0	3,547
	197,203	165,496
Total Cash Disbursements	197,203	165,496
Total Cash Receipts Over/(Under) Cash Disbursements	(197,203)	(165,496)
Other Financing Receipts/(Disbursements):		
Capital Outlay	(510)	(144,793)
Sale of Fixed Assets	0	248,830
Leases and Loan Receipts	324,432	399,177
Miscellaneous Receipts	0	288
Zoning Fees	0	50,125
Other Financing Sources	6,726	0
Other Financing Uses	(21,000)	0
	309,648	553,627
Total Other Financing Receipts/(Disbursements)	309,648	553,627
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	112,445	388,131
Fund Cash Balance, January 1	674,875	286,744
Fund Cash Balance, December 31	\$787,320	\$674,875

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

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 and 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Cadiz Community Improvement Corporation (the Corporation), is a not-for-profit corporation and was incorporated in 1998 under authority of Ohio Rev. Code § 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 of the community and area of the Village of Cadiz.

The Corporation's management believes this financial statement presents all activities for which the Corporation is financially accountable.

B. Accounting Basis

Although required by Ohio Rev. Code § 1724.05 to file its annual financial 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 than 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 has not filed as an exempt organization under Section 501(c)(4) of the Internal Revenue Code. Accordingly, the federal tax status is unknown at this time. 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 disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. Deposits

The corporation has entered into an agency agreement with the Village of Cadiz to be 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

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Loans

The Corporation has entered into various loans. The following schedule lists the outstanding loans at December 31, 2014 and any delinquent amount, if applicable.

Borrower	Outstanding at 12/31/14	Delinquent at 12/31/14
Class Act	\$18,224.94	\$0.00
Harrison County Engineers	65,522.68	2,500.00
Frontz Just Things	10,721.00	10,721.00
Heavistar, Inc.	27,978.45	27,978.45
Lee J. Ledger & Wanda S. Ledger	11,358.59	11,358.59
McCol Machine, Inc.	12,213.56	12,213.56
Schloss Media/News Herald	69,600.32	\$0.00
John Vissar	20,862.94	\$0.00
Village of Cadiz	117,225.52	\$0.00
James Pollock	37,947.04	37,947.04
Schloss Media/Merchanette	131,730.63	0.00
TOTAL	523,385.67	125,218.64

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 & 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

The Corporation has entered into operating lease/rent agreements with Tappan Holdings, Inc., Belmont Technical College, Harrison Hills City School District, and J-W Power Company.

6. Related Parties

As disclosed in Note 4, the Corporation has an outstanding loan receivable from the Village of Cadiz. The Corporation received \$25,000 from the Village of Cadiz in 2014 and 2013 for payments on the Industrial Park Water Tower Loan / Jamison Avenue Restoration Project Loan. The loan balance presented in Note 4 of \$117,225.52 was the balance of this loan at December 31, 2014.

7. Subsequent Events

On May 28, 2018 the Corporation entered into a contract with Cardinal Environmental for approximately \$300,000 for the environmental abatement at the old Custer Hotel.

On September 14, 2014 the Corporation agreed to release \$212,000 to the Village of Cadiz street improvements to promote economic development. These funds were actually released to the Village on May 21, 2015.



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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 statement of the Village of Cadiz Community Improvement Corporation, Harrison County, Ohio (the Corporation), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statement, which collectively comprise the Corporation's financial statement and have issued our report thereon dated November 5, 2015, wherein we noted the Corporation uses a special purpose framework other than generally accepted accounting principles. Also, we issued an adverse opinion on the 2014 and 2013 financial statement due to the Corporation failing to prepare a financial statement that followed accounting principles generally accepted in the United States of America.

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 opinion on the financial statement, 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 statement. 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 statement is 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2014-001 and 2014-002.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 5, 2015

VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 1724.05 requires Community Improvement Corporations established under Ohio Rev. Code Chapter 1724 to report annually (but not necessarily account) on a GAAP basis.

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 did not prepare GAAP basis financial statements. In addition, the cash basis annual financial report that was prepared was not filed with the Auditor of State.

The Corporation prepared its financial statement and notes on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit the financial position of the Corporation at December 31, 2014 and 2013 or 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 in accordance with generally accepted accounting principles and filed with the Auditor of State.

Officials Response: Fiscal Officer prepares both the Corporation and Village's annual financial reports on a cash basis. Board will consider hiring an accountant in the future to prepare GAAP statements.

FINDING NUMBER 2012-002

Noncompliance

Ohio Rev. Code § 1724.10(B)(2) states, in part, that that authorization for the community improvement corporation to sell or to lease any real property or interests in real property owned by the political subdivision determined from time to time by the legislative authority thereof not to be required by such political subdivision for its purposes, for uses determined by the legislative authority as those that will promote the welfare of the people of the political subdivision, stabilize the economy, provide employment, assist in the development of industrial, commercial, distribution, and research activities to the benefit of the people of the political subdivision, will provide additional opportunities for their gainful employment, or will promote the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other real property within the subdivision. The legislative authority shall specify the consideration for such sale or lease and any other terms thereof. Any determinations made by the legislative authority under this division shall be conclusive. The community improvement corporation acting through its officers and on behalf and as agent of the political subdivision shall execute the necessary instruments, including deeds conveying the title of the political subdivision or leases, to accomplish such sale or lease. Such conveyance or lease shall be made without advertising and receipt of bids.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002 (Continued)

Noncompliance – Ohio Rev. Code § 1724.10(B)(2) (Continued)

A copy of such agreement shall be recorded in the office of the county recorder of any county in which real property or interests in real property to be sold or leased are situated prior to the recording of a deed or lease executed pursuant to such agreement.

In addition, § 1724.10(B)(3) states that the political subdivision executing the agreement will convey to the community improvement corporation real property and interests in real property owned by the political subdivision and determined by the legislative authority thereof not to be required by the political subdivision for its purposes and that such conveyance of such real property or interests in real property will promote the welfare of the people of the political subdivision, stabilize the economy, provide employment, assist in the development of industrial, commercial, distribution, and research activities to the benefit of the people of the political subdivision, provide additional opportunities for their gainful employment or will promote the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other real property in the subdivision, for the consideration and upon the terms established in the agreement, and further that as the agency for development or land reutilization the community improvement corporation may acquire from others additional real property or interests in real property, and any real property or interests in real property so conveyed by it for uses that will promote the welfare of the people of the political subdivision, stabilize the economy, provide employment, assist in the development of industrial, commercial, distribution, and research activities required for the people of the political subdivision and for their gainful employment or will promote the reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other real property in the subdivision. Any conveyance or lease by the political subdivision to the community improvement corporation shall be made without advertising and receipt of bids. If any real property or interests in real property conveyed by a political subdivision under this division are sold by the community improvement corporation at a price in excess of the consideration received by the political subdivision from the community improvement corporation, such excess shall be paid to such political subdivision after deducting, to the extent and in the manner provided in the agreement, the costs of such acquisition and sale, taxes, assessments, costs of maintenance, costs of improvements to the real property by the community improvement corporation, service fees, and any debt service charges of the corporation attributable to such real property or interests.

In 2013, the Corporation acted as agent for the Village of Cadiz in the sale of property. There was no formal agreement between the Corporation and Village in regards to the terms of the sale and/or any consideration. The Corporation kept the funds from the sale of the property as the Village indicated it was their intent to let the Corporation keep the money as the Corporation was attempting to further develop the remainder of the property. It is not allowable for the Corporation to keep the proceeds. In addition, an agreement to handle the sale was not properly authorized.

We recommend the Corporation review the Ohio Revised Code sections that govern them to ensure compliance. They should review and make any necessary changes to their by-laws to ensure compliance with the Ohio Revised Code.

Officials Response: On the sale of property in 2013, there was an agreement between the Village and the Corporation. All aspects of the transaction were under the opinion of the Village Solicitor and deemed allowable. As for keeping the proceeds of the sale, Council approved the funds going to the Corporation. Corporation will have Solicitor review the Ohio Revised Code and make adjustments to the by-laws to ensure compliance.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 and 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 1724.05 for failing to file GAAP financial statements.	No	Repeated in current year schedule of findings as finding 2014-001
2012-002	Significant deficiency; accounting system and accounting records	No	Partially Corrected – repeated in the current year management letter
2012-003	Significant deficiency; records of outstanding loans, loan documentation	Yes	

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Dave Yost • Auditor of State

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
NOVEMBER 19, 2015**