



**Auditor of State  
Betty Montgomery**



VILLAGE OF CADIZ  
HARRISON COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cadiz, Harrison County, Ohio, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

January 12, 2005

VILLAGE OF CADIZ  
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$96,689	\$16,569				\$113,258
Municipal Income Tax	604,468	32,736		\$19,641		656,845
Intergovernmental Receipts	244,189	145,350		32,396		421,935
Charges for Services	139,266			351		139,617
Fines, Licenses, and Permits	49,101	477				49,578
Earnings on Investments	14,550					14,550
Miscellaneous	4,581	3,642		15,169	\$50,000	73,392
<b>Total Cash Receipts</b>	<b>1,152,844</b>	<b>198,774</b>		<b>67,557</b>	<b>50,000</b>	<b>1,469,175</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	409,133	32,812				441,945
Public Health Services	12,222					12,222
Leisure Time Activities	175,471			2,533	178	178,182
Community Environment	20,002					20,002
Transportation	158,956	110,694				269,650
General Government	267,788					267,788
Debt Service:						
Debt Payments		10,578	\$3,492			14,070
Capital Outlay	16,968	37,293		32,681	4,408	91,350
<b>Total Cash Disbursements</b>	<b>1,060,540</b>	<b>191,377</b>	<b>3,492</b>	<b>35,214</b>	<b>4,586</b>	<b>1,295,209</b>
Total Receipts Over/(Under) Disbursements	92,304	7,397	(3,492)	32,343	45,414	173,966
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Fixed Assets	50					50
Transfers-In			2,979			2,979
Advances-In	16,205	40,401		16,606		73,212
Transfers-Out	(2,979)					(2,979)
Advances-Out	(47,007)			(16,205)		(63,212)
Other Financing Sources	11,760	31,916				43,676
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(21,971)</b>	<b>72,317</b>	<b>2,979</b>	<b>401</b>		<b>53,726</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	70,333	79,714	(513)	32,744	45,414	227,692
Fund Cash Balances, January 1	660,829	172,915	928	119,046		953,718
<b>Fund Cash Balances, December 31</b>	<b>\$731,162</b>	<b>\$252,629</b>	<b>\$415</b>	<b>\$151,790</b>	<b>\$45,414</b>	<b>\$1,181,410</b>
Reserves for Encumbrances, December 31	\$18					\$18

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

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$836,400		\$836,400
Earnings on Investments		\$141	141
Total Operating Cash Receipts	<u>836,400</u>	<u>141</u>	<u>836,541</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	230,349		230,349
Fringe Benefits	131,241		131,241
Contractual Services	232,790	1,395	234,185
Supplies and Materials	100,666		100,666
Other	21,626		21,626
Capital Outlay	513,349	3,052	516,401
Total Operating Cash Disbursements	<u>1,230,021</u>	<u>4,447</u>	<u>1,234,468</u>
Operating Income/(Loss)	<u>(393,621)</u>	<u>(4,306)</u>	<u>(397,927)</u>
<b>Non-Operating Cash Receipts:</b>			
Proceeds from Notes and Bonds	1,734,727		1,734,727
Other Non-Operating Receipts		187,006	187,006
Total Non-Operating Cash Receipts	<u>1,734,727</u>	<u>187,006</u>	<u>1,921,733</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	145,391		145,391
Other Non-Operating Cash Disbursements		54,000	54,000
Total Non-Operating Cash Disbursements	<u>145,391</u>	<u>54,000</u>	<u>199,391</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,195,715	128,700	1,324,415
Advances-Out	<u>(10,000)</u>		<u>(10,000)</u>
Net Receipts Over/(Under) Disbursements	1,185,715	128,700	1,314,415
Fund Cash Balances, January 1	<u>829,296</u>	<u>192,719</u>	<u>1,022,015</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,015,011</u></b>	<b><u>\$321,419</u></b>	<b><u>\$2,336,430</u></b>
Reserve for Encumbrances, December 31	<u>\$106</u>		<u>\$106</u>

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

VILLAGE OF CADIZ  
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$75,358	\$16,416			\$91,774
Municipal Income Tax	617,343	33,551		\$20,131	671,025
Special Assessments	1,655				1,655
Intergovernmental Receipts	171,454	129,411		16,131	316,996
Charges for Services	138,428			4,254	142,682
Fines, Licenses, and Permits	53,755	1,405			55,160
Earnings on Investments	18,342	1,371		1,089	20,802
Miscellaneous	16,272	121		23,963	40,356
<b>Total Cash Receipts</b>	<b>1,092,607</b>	<b>182,275</b>		<b>65,568</b>	<b>1,340,450</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	379,570	37,546			417,116
Public Health Services	10,711				10,711
Leisure Time Activities	162,623			253	162,876
Community Environment	15,133				15,133
Transportation	151,050	64,557			215,607
General Government	245,937	168,991		30,915	445,843
Debt Service:					
Principal Payments	5,000	5,578	\$5,959		16,537
Capital Outlay	56,983				56,983
<b>Total Cash Disbursements</b>	<b>1,027,007</b>	<b>276,672</b>	<b>5,959</b>	<b>31,168</b>	<b>1,340,806</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>65,600</b>	<b>(94,397)</b>	<b>(5,959)</b>	<b>34,400</b>	<b>(356)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	455				455
Transfers-In		140,581	5,959		146,540
Transfers-Out	(176,540)				(176,540)
Other Financing Sources	14,168	30,094			44,262
Other Financing Uses	(29,151)	(20,000)			(49,151)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(191,068)</b>	<b>150,675</b>	<b>5,959</b>		<b>(34,434)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(125,468)</b>	<b>56,278</b>		<b>34,400</b>	<b>(34,790)</b>
<b>Fund Cash Balances, January 1</b>	<b>786,297</b>	<b>116,637</b>	<b>928</b>	<b>84,646</b>	<b>988,508</b>
<b>Fund Cash Balances, December 31</b>	<b>\$660,829</b>	<b>\$172,915</b>	<b>\$928</b>	<b>\$119,046</b>	<b>\$953,718</b>

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

VILLAGE OF CADIZ  
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND  
SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$823,868		\$823,868
Earnings on Investments	9,165	\$1,182	10,347
Total Operating Cash Receipts	<u>833,033</u>	<u>1,182</u>	<u>834,215</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	325,800		325,800
Contractual Services	119,615	73	119,688
Supplies and Materials	93,363	15	93,378
Capital Outlay	66,047	28,552	94,599
Total Operating Cash Disbursements	<u>604,825</u>	<u>28,640</u>	<u>633,465</u>
Operating Income/(Loss)	<u>228,208</u>	<u>(27,458)</u>	<u>200,750</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		186,119	186,119
Total Non-Operating Cash Receipts		<u>186,119</u>	<u>186,119</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	146,940		146,940
Other Non-Operating Cash Disbursements	1,905	153,560	155,465
Total Non-Operating Cash Disbursements	<u>148,845</u>	<u>153,560</u>	<u>302,405</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	79,363	5,101	84,464
Transfers-In	<u>30,000</u>		<u>30,000</u>
Net Receipts Over/(Under) Disbursements	109,363	5,101	114,464
Fund Cash Balances, January 1	<u>719,933</u>	<u>187,618</u>	<u>907,551</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$829,296</u></b>	<b><u>\$192,719</u></b>	<b><u>\$1,022,015</u></b>
Reserve for Encumbrances, December 31	<u>\$8,000</u>		<u>\$8,000</u>

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

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Cadiz, Harrison County, and (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services including water and sewer utilities, park operations (leisure time activities), street repair and maintenance, and police protection. The Village contracts with the Cadiz Volunteer Fire Department to provide fire protection.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

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

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Debt Service Fund**

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

*Lincoln Avenue Water Tank Fund* - This fund is used to accumulate funds and make payments on a loan. The loan was obtained to build a water tank and replace water lines.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

*Hotel Restoration Fund* - This fund receives intergovernmental revenue for hotel restoration.

**5. Enterprise Funds**

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

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

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

*Tappan Water Project Fund* - This fund receives charges for services from residents to cover the cost of the Tappan Water Project.

**6. Fiduciary Funds (Trust and Agency Funds)**

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

*Sally Buffalo-Saffell Trust Fund* – This fund originated in 2003 with a donation that is to be accounted for in an expendable trust fund and is to be used for improvements to Sally Buffalo Park.

*Community Improvement Corporation Fund* - This fund is used to account for money that the Village lends to new or existing businesses in the Village to promote economic development and the repayment of those loans.

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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

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

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	2003	2002
Demand deposits	\$847,450	\$392,308
Certificates of deposit	1,662,698	482,698
Total deposits	2,510,148	875,006
STAR Ohio		
Total investments	1,007,692	1,100,727
Total deposits and investments	\$3,517,840	\$1,975,733

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follow:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$918,253	\$1,164,654	\$246,401
Special Revenue	9,919	230,690	220,771
Debt Service	0	2,979	2,979
Capital Projects	20,215	67,557	47,342
Enterprise	1,100,000	2,571,127	1,471,127
Fiduciary	0	50,000	50,000
Total	\$2,048,387	\$4,087,007	\$2,038,620

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,292,250	\$1,063,537	\$228,713
Special Revenue	166,779	191,377	(24,598)
Debt Service	40,900	3,492	37,408
Capital Projects	48,605	35,214	13,391
Enterprise	1,928,631	1,375,518	553,113
Fiduciary	0	4,586	(4,586)
Total	\$3,477,165	\$2,673,724	\$803,441

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$950,471	\$1,107,230	\$156,759
Special Revenue	385,585	352,950	(32,635)
Debt Service	5,959	5,959	0
Capital Projects	50,530	65,568	15,038
Enterprise	834,000	863,033	29,033
Total	<u>\$2,226,545</u>	<u>\$2,394,740</u>	<u>\$168,195</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,325,787	\$1,232,698	\$93,089
Special Revenue	300,695	296,672	4,023
Debt Service	6,144	5,959	185
Capital Projects	31,168	31,168	0
Enterprise	788,100	761,670	26,430
Total	<u>\$2,451,894</u>	<u>\$2,328,167</u>	<u>\$123,727</u>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in several funds for the year ended December 31, 2003. Also, appropriations exceeded total available resources in several funds for the year ended December 31, 2003.

**4. PROPERTY TAX**

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

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

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. LOCAL INCOME TAX (Continued)**

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

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
USDA Water System Mortgage Revenue Bonds	\$1,843,300	4.50%
Bond Anticipation Notes	1,430,000	3.35%
Cruiser Lease	7,410	5.55%
John Deere Tractor and Mower Lease	4,664	11.90%
Ohio Water Development Authority Loan # 3199	473,911	2.00%
Ohio Water Development Authority Loan # 3971	304,727	0.00%
Ohio Public Works Commission Loan	<u>80,440</u>	0.00%
Total	<u>\$4,144,452</u>	

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 requirements of the mortgage revenue bonds.

Two Bond Anticipation Notes were issued on October 28, 2003 for the purpose of paying part of the cost of improvements to the water supply and waterworks system of the Village, and particularly, the Tappan Lake Raw Waterline Project. The notes will mature on October 28, 2005. The notes are collateralized by water and sewer receipts and the Village's taxing authority. The debt is not due until the project is completed and then the bonds will be issued by USDA.

The Cruiser Lease was issued to purchase a cruiser for the Village police department. An annual lease payment of \$7,821.73 is made and the lease will be paid off on May 13, 2004. This lease is collateralized by the Village's taxing authority.

The John Deere Lease was issued to purchase a John Deere tractor and mower for the Village. An annual lease payment of \$2,756.41 is made and the lease will be paid off on April 10, 2005. This lease is collateralized by the Village's taxing authority.

The Ohio Water Development Authority (OWDA) loan # 3199 relates to the construction of a water tank and a sewer line project. The loan will be repaid in semi-annual installments of \$17,379, including interest, over a twenty year period. The Village was approved to borrow \$583,297 and to date have drawn down \$570,210. The scheduled payments presented below assume that \$583,297, the full amount, will be borrowed. The loan is collateralized by water and sewer receipts.

The Ohio Water Development Authority (OWDA) loan # 3971 relates to the construction of the Tappan Lake Raw Water Transmission Line project. The loan has a maturity date of twenty years with the first payment due on January 1, 2005 and the final payment due on July 1, 2024. The loan is collateralized by water and sewer receipts.

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 semiannual payment of \$2,979.25 each year beginning on January 1, 1998. The loan is collateralized by the Village's taxing authority.

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

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

<b>Year ending December 31</b>	<b>Mortgage Revenue Bonds</b>	<b>Leases</b>	<b>OWDA Loans</b>	<b>OPWC Loans</b>
2004	\$104,348	\$10,578	\$34,757	\$5,959
2005	104,386	2,756	49,993	5,959
2006	104,378		49,993	5,959
2007	104,324		49,993	5,959
2008	104,326		49,993	5,959
2009-2013	521,654		249,969	29,792
2014-2018	521,752		249,969	20,853
2019-2023	521,704		110,939	
2024-2028	521,646		15,237	
2029-2033	521,660			
2034-2038	521,772			
2039	104,291			
<b>Total</b>	<b>\$3,756,241</b>	<b>\$13,334</b>	<b>\$860,843</b>	<b>\$80,440</b>

**7. RETIREMENT SYSTEM**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

**Ohio Government Risk Management Plan**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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.

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village provides health insurance, dental, and vision for all full-time employees through a private insurance carrier.

**9. LEGAL COMPLIANCE**

Noncompliance with **Ohio Revised Code §733.28, 733.43 and 733.45** has been reported as the Clerk/Treasurer did not keep accurate accounts of the Village's finances and did not report on the Village's financial condition to Village Council.



## **Auditor of State Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Cadiz, Harrison County (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated January 12, 2005 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as required, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated January 12, 2005.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 12, 2005.

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Village of Cadiz  
Harrison County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

January 12, 2005

VILLAGE OF CADIZ  
HARRISON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Finding for Recovery – Overpayment of Compensation**

Village Ordinance 2002-32 establishes the pay rates and salaries of village employees for calendar year 2003. An annual compensation of \$8,500 was set for the Village Mayor. George Poole was the Village Mayor for 2003 and was paid \$8,826.84. A recap of the overpayment follows:

2003 Salary paid	\$ 8,826.84
2003 Salary authorized	(8,500.00)
2003 Overpayment	<u>\$ 326.84</u>

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against George Poole, Former Mayor in the amount of \$326.84 and in favor of the General Fund of the Village of Cadiz.

FINDING NUMBER 2003-002

**\*Ohio Revised Code § 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 the 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 Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional 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 may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures in 2002 and 2003. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2003-003**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the following funds for 2003:

Fund	Appropriations	Expenditures	Variance
Street Construction, Maintenance, and Repair Fund	\$63,500	\$110,238	(\$46,738)
COPS Fast Grant Fund	27,150	32,812	(\$5,662)
Equipment Fund	5,700	19,095	(\$13,395)
Police Department Computer Purchase Fund		3,894	(\$3,894)
Sally Buffalo – Saffell Trust Fund		4,586	(\$4,586)

The Village Clerk/Treasurer should monitor expenditures by comparing them to appropriations throughout the year and have the Council approve appropriation amendments in the minutes as necessary to guard against overspending.

**FINDING NUMBER 2003-004**

**Ohio Revised Code § 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

Appropriations exceeded estimated resources in the following funds for 2003:

Fund	Estimated Resources	Appropriations	Variance
Law Enforcement Trust Fund	\$816	\$4,010	(\$ 3,194)
COPS Fast Grant Fund	3,700	27,150	(\$23,450)
Street Paving Fund	15,861	35,000	(\$19,139)
Ohio Water Development Authority Fund	928	35,000	(\$34,072)
Ohio Public Works Commission Fund	0	5,900	(\$5,900)
Water Operating Fund	103,439	439,731	(\$336,292)
Sewer Operating Fund	66,624	249,900	(\$183,276)
Water System Debt Service Fund	0	104,266	(\$104,266)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The Clerk/Treasurer should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Council to reduce the appropriations. Appropriation modifications should be approved in the minutes. This procedure will help to ensure budgetary control and compliance.

**FINDING NUMBER 2003-005**

**Ohio Revised Code § 733.28** provides in part that the village clerk shall keep books of the village; exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments. **Ohio Revised Code § 733.43** provides in part that the village treasurer shall so arrange the books so that the amounts received and expended on accounts of separate fund, or specified appropriations, shall be exhibited in separate accounts in each fund.

**Ohio Revised Code § 733.45** provides in part that at the first January meeting of Village Council each year, the treasurer shall report on the village financial condition, including amounts of receipts, disbursements and accounts. The balance of each fund shall also be reported.

The Clerk/Treasurer did not keep accurate records of all moneys received and expended by the Village, as payroll expenditures were posted more than once for several months of 2003 and revenue from a COPS grant, the Ohio Public Works Commission and proceeds from a note received during 2003 were not posted to the ledgers. A report of the Village financial condition of 2002 or 2003 was not presented to the Village Council at their first meeting in January.

The Village Clerk/Treasurer should keep accurate account of all moneys received and expended by the Village. The Clerk/Treasurer should also complete accurate monthly bank reconciliations, which would effectively disclose bookkeeping errors. The Village Clerk/Treasurer should also prepare accurate financial reports for Village Council, including amounts of receipts, disbursements and balances of each fund.

**VILLAGE OF CADIZ  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-001	ORC § 5705.41 (D) Disbursements were not properly certified.	No	Cited again as Finding 2003-001
2001-002	Job Descriptions – No approved written job descriptions were on file.	Partially Corrected	Recommendation in the Management Letter



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**VILLAGE OF CADIZ**

**HARRISON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 5, 2005**