



**VILLAGE OF CADIZ
HARRISON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cadiz, Harrison County, Ohio, (the Village) as of and for the year ended December 31, 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cadiz as of December 31, 1998, 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 March 13, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

March 13, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$613,067	\$27,899		\$16,739	\$657,705
Special Assessments	3,557				3,557
Intergovernmental Receipts	94,085	134,828		382,701	611,614
Charges for Services	92,068				92,068
Fines, Licenses, and Permits	11,702				11,702
Earnings on Investments	29,620				29,620
Miscellaneous	82,999	81,650		43,655	208,304
Total Cash Receipts	<u>927,098</u>	<u>244,377</u>		<u>443,095</u>	<u>1,614,570</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	272,110	6,150			278,260
Public Health Services	4,999				4,999
Leisure Time Activities	139,224	856			140,080
Community Environment	6,317	40			6,357
Transportation	57,451	88,452			145,903
General Government	250,714				250,714
Debt Service:					
Principal Payments		10,000	83,637		93,637
Interest Payments		1,560	21,243		22,803
Capital Outlay	26,093	37,266		499,262	562,621
Total Disbursements	<u>756,908</u>	<u>144,324</u>	<u>104,880</u>	<u>499,262</u>	<u>1,505,374</u>
Total Receipts Over/(Under) Disbursements	<u>170,190</u>	<u>100,053</u>	<u>(104,880)</u>	<u>(56,167)</u>	<u>109,196</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes			20,000		20,000
Transfers-In		55,797	84,880	30,000	170,677
Advances-In	17,625			65,125	82,750
Transfers-Out	(127,316)				(127,316)
Advances-Out	(65,125)			(17,625)	(82,750)
Total Other Financing Receipts/(Disbursements)	<u>(174,816)</u>	<u>55,797</u>	<u>104,880</u>	<u>77,500</u>	<u>63,361</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,626)</u>	<u>155,850</u>		<u>21,333</u>	<u>172,557</u>
Fund Cash Balances January 1	<u>511,975</u>	<u>37,863</u>		<u>186,366</u>	<u>736,204</u>
Fund Cash Balances, December 31	<u>\$507,349</u>	<u>\$193,713</u>		<u>\$207,699</u>	<u>\$908,761</u>
Reserves for Encumbrances, December 31	<u>\$27,191</u>	<u>\$6,450</u>		<u>\$259,898</u>	<u>\$293,539</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$762,651	\$8,352	\$771,003
Miscellaneous		284,236	284,236
Total Operating Cash Receipts	<u>762,651</u>	<u>292,588</u>	<u>1,055,239</u>
Operating Cash Disbursements:			
Personal Services	325,815		325,815
Contractual Services	85,521	38,604	124,125
Supplies and Materials	88,634		88,634
Capital Outlay	28,215		28,215
Total Operating Cash Disbursements	<u>528,185</u>	<u>38,604</u>	<u>566,789</u>
Operating Income/(Loss)	<u>234,466</u>	<u>253,984</u>	<u>488,450</u>
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	7,000,000		7,000,000
Other Non-Operating Receipts	17,048		17,048
Total Non-Operating Cash Receipts	<u>7,017,048</u>		<u>7,017,048</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>7,151,375</u>		<u>7,151,375</u>
Total Non-Operating Cash Disbursements	<u>7,151,375</u>		<u>7,151,375</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	100,139	253,984	354,123
Transfers-Out	<u>(43,361)</u>		<u>(43,361)</u>
Net Receipts Over Disbursements	56,778	253,984	310,762
Fund Cash Balances, January 1	<u>355,866</u>	<u>54,277</u>	<u>410,143</u>
Fund Cash Balances, December 31	<u>\$412,644</u>	<u>\$308,261</u>	<u>\$720,905</u>
Reserve for Encumbrances, December 31	<u>\$8,234</u>		<u>\$8,234</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(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:

Water Tank and County Club Road Fund - This fund is used to accumulate funds for payments on loans, which were obtained to build a water tank and to 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 Funds:

Downtown Revitalization Phase II Fund - This fund receives proceeds designated for revitalization of the downtown area. Funding is used to repair sidewalks, replace street lights, plant trees and other upgrades to the downtown area.

Brokaw/Deersville Sewerline Fund- This fund receives monies for sewerline installation.

The project installed sewer lines in designated areas of the Village.

5. Enterprise Funds

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

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

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

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

6. Fiduciary Funds (Trust and Agency Funds)

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>1998</u>
Demand deposits	\$240,327
Certificates of deposit	<u>311,500</u>
Total deposits	<u>551,827</u>
Repurchase Agreement	150,000
STAR Ohio	<u>927,839</u>
Total investments	<u>1,077,839</u>
Total deposits and investments	<u><u>\$1,629,666</u></u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$904,867	\$927,098	\$22,231
Special Revenue	298,997	300,174	1,177
Debt Service	104,880	104,880	0
Capital Projects	511,697	473,095	(38,602)
Enterprise	<u>7,895,820</u>	<u>7,779,699</u>	<u>(116,121)</u>
Total	<u><u>\$9,716,261</u></u>	<u><u>\$9,584,946</u></u>	<u><u>\$(131,315)</u></u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$974,111	\$911,415	\$62,696
Special Revenue	309,366	150,774	158,592
Debt Service	104,880	104,880	0
Capital Projects	758,271	759,160	(889)
Enterprise	<u>7,947,000</u>	<u>7,731,155</u>	<u>215,845</u>
Total	<u><u>\$10,093,628</u></u>	<u><u>\$9,657,384</u></u>	<u><u>\$436,244</u></u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Bond Anticipation Notes	\$3,500,000	4%
Ohio Water Development Authority Loan	148,476	11%
Ohio Public Works Commission Loan	145,334	0%
Dump Truck Note	10,000	5%
Vehicle Leases	4,211	11%
Total	\$3,808,021	

Outstanding bond anticipation notes consist of notes issued to cover the cost of construction of the Village's waterworks system. Property and revenue of the Village have been pledged to repay this issue.

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

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

The Ohio Water Development Authority (OWDA) loan relates to the construction of a water tank. The loan is collateralized by water and sewer receipts. The loan has been issued for a twenty year term.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998
(Continued)

5. DEBT (Continued)

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

Year ending December 31:	Bond Anticipation Notes	Dump Truck Note	Vehicle Leases	OPWC Loans	OWDA Loan
1999	\$3,535,762	\$11,027	\$1,468	\$13,759	\$71,122
2000	0	0	1,468	13,759	71,122
2001	0	0	1,482	13,749	35,561
2002	0	0	604	13,749	0
2003	0	0	0	9,859	0
2004-2008	0	0	0	29,793	0
2009-2013	0	0	0	29,793	0
2014-2018	0	0	0	20,873	0
Total	<u>\$3,535,762</u>	<u>\$11,027</u>	<u>\$5,022</u>	<u>\$145,334</u>	<u>\$177,805</u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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



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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cadiz, Harrison County, Ohio (the Village), as of and for the year ended December 31, 1998, and have issued our report thereon dated March 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. This instance of noncompliance is described in the accompanying schedule of findings as item number 1998-31234-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item number 1998-31234-002.

A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. Our consideration of the internal over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended for the information and use of management and the 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

March 13, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1998-31234-001
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Ohio Revised Code § 733.28 requires the village clerk/treasurer to keep the books of the village, exhibit accurate statements of all monies received and expended, of all the property owned by the village, and the income derived therefore, and of all taxes and assessments.

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

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

Finding Number	1998-31234-002
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Currently, the Village does not have written job descriptions to define specific duties of each position of employment in the Village. Without the formal job descriptions, employees are unable to define their own job duties. The breakdown, as employees perform their daily routines in the accounting function, has caused haphazard record keeping. Village Council should establish specific written job descriptions for all employees and especially for the Clerk/Treasurer and Clerk's Assistant positions.

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF CADIZ

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 27, 2000**