



**Auditor of State
Betty Montgomery**

VILLAGE OF CADIZ
HARRISON COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 3, 2006

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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, (the Village) as of and for the year ended December 31, 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Cadiz, Harrison County, as of December 31, 2004 and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements. The Federal Awards Expenditures Schedule presents additional information and is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 3, 2006

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, 2004**

| | Governmental Fund Types | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$96,643 | \$18,288 | | | \$114,931 |
| Municipal Income Tax | 633,018 | 34,403 | | \$20,642 | 688,063 |
| Special Assessments | 867 | | | | 867 |
| Intergovernmental Receipts | 131,204 | 141,201 | | | 272,405 |
| Charges for Services | 149,736 | | | | 149,736 |
| Fines, Licenses, and Permits | 37,829 | 1,735 | | | 39,564 |
| Earnings on Investments | 25,420 | | | | 25,420 |
| Miscellaneous | 28,271 | 11,385 | | 15,072 | 54,728 |
| Total Cash Receipts | 1,102,988 | 207,012 | | 35,714 | 1,345,714 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 406,837 | 35,208 | | | 442,045 |
| Public Health Services | 14,452 | | | | 14,452 |
| Leisure Time Activities | 182,861 | | | 3,972 | 187,388 |
| Community Environment | 12,194 | | | \$555 | 12,194 |
| Basic Utility Services | | | | 7,811 | 7,811 |
| Transportation | 154,709 | 125,606 | | 9,581 | 289,896 |
| General Government | 310,969 | | | | 310,969 |
| Debt Service: | | | | | |
| Principal Payments | 5,958 | | | 14,875 | 20,833 |
| Interest Payments | | | | 9,352 | 9,352 |
| Capital Outlay | 4,662 | 47,705 | | 115 | 52,609 |
| Total Cash Disbursements | 1,092,642 | 208,519 | | 45,706 | 1,347,549 |
| Total Receipts Over/(Under) Disbursements | 10,346 | (1,507) | | (9,992) | (682) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Advances-In | 66,000 | | | 1,000 | 67,000 |
| Advances-Out | (66,000) | (10,000) | | (1,000) | (77,000) |
| Other Financing Sources | 21,103 | 42,935 | | | 64,038 |
| Other Financing Uses | | (25,000) | | | (25,000) |
| Total Other Financing Receipts/(Disbursements) | 21,103 | 7,935 | | | 29,038 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 31,449 | 6,428 | | (9,992) | (682) |
| Fund Cash Balances, January 1 | 731,162 | 252,630 | \$415 | 105,562 | 45,414 |
| Fund Cash Balances, December 31 | \$762,611 | \$259,058 | \$415 | \$95,570 | \$44,732 |

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, 2004**

| | <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 | \$839,762 | | \$839,762 |
| Miscellaneous | 216 | | 216 |
| Total Operating Cash Receipts | <u>839,978</u> | | <u>839,978</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 228,295 | | 228,295 |
| Fringe Benefits | 131,517 | | 131,517 |
| Contractual Services | 395,279 | \$42,014 | 437,293 |
| Supplies and Materials | 99,714 | 765 | 100,479 |
| Other | | 80 | 80 |
| Capital Outlay | 3,004,872 | 187,418 | 3,192,290 |
| Total Operating Cash Disbursements | <u>3,859,677</u> | <u>230,277</u> | <u>4,089,954</u> |
| Operating Income/(Loss) | <u>(3,019,699)</u> | <u>(230,277)</u> | <u>(3,249,976)</u> |
| Non-Operating Cash Receipts: | | | |
| Earnings on Investments | 6 | 726 | 732 |
| Intergovernmental Receipts | 1,794,121 | 202,947 | 1,997,068 |
| Miscellaneous Receipts | 112,365 | 146,560 | 258,925 |
| Other Non-Operating Receipts | | 78,893 | 78,893 |
| Total Non-Operating Cash Receipts | <u>1,906,492</u> | <u>429,126</u> | <u>2,335,618</u> |
| Non-Operating Cash Disbursements: | | | |
| Debt Service | 195,378 | | 195,378 |
| Other Non-Operating Cash Disbursements | 112,188 | 57,800 | 169,988 |
| Total Non-Operating Cash Disbursements | <u>307,566</u> | <u>57,800</u> | <u>365,366</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (1,420,773) | 141,049 | (1,279,724) |
| Advances-In | 75,000 | | 75,000 |
| Advances-Out | (65,000) | | (65,000) |
| Net Receipts Over/(Under) Disbursements | (1,410,773) | 141,049 | (1,269,724) |
| Fund Cash Balances, January 1 | <u>2,039,259</u> | <u>343,419</u> | <u>2,382,678</u> |
| Fund Cash Balances, December 31 | <u><u>\$628,486</u></u> | <u><u>\$484,468</u></u> | <u><u>\$1,112,954</u></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, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cadiz, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government 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 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds 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, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Lincoln Avenue OWDA Loan Fund - This fund was established 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 account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

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

5. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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 fund:

Community Improvement Corporation (CIC) Fund - This fund is used to account for money that the CIC 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, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

| | 2004 |
|--------------------------------|-------------|
| Demand deposits | \$423,734 |
| Petty cash and change funds | 440 |
| Certificates of deposit | 486,577 |
| Total deposits | 910,751 |
| STAR Ohio | 1,364,589 |
| Total deposits and investments | \$2,275,340 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$980,755 | \$1,124,091 | \$143,336 |
| Special Revenue | 162,557 | 249,947 | 87,390 |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 33,020 | 35,714 | 2,694 |
| Enterprise | 3,100,878 | 2,746,470 | (354,408) |
| Fiduciary | 224,947 | 429,126 | 204,179 |
| Total | \$4,502,157 | \$4,585,348 | \$83,191 |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,386,904 | \$1,092,642 | \$294,262 |
| Special Revenue | 218,746 | 233,519 | (14,773) |
| Debt Service | 388 | | 388 |
| Capital Projects | 51,901 | 45,706 | 6,195 |
| Enterprise | 4,387,866 | 4,167,243 | 220,623 |
| Fiduciary | 423,728 | 288,759 | 134,969 |
| Total | \$6,469,533 | \$5,827,869 | \$641,664 |

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% 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.

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, 2004 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|--------------------|----------------------|
| USDA Water System Mortgage Revenue Bonds | \$1,821,900 | 4.50% |
| Bond Anticipation Note | 1,430,000 | 4.94% |
| John Deere Tractor and Mower Lease | 2,463 | 11.90% |
| Ohio Water Development Authority Loan # 3199 | 448,505 | 2.00% |
| Ohio Water Development Authority Loan # 3971 | 828,650 | 2.00% |
| Ohio Public Works Commission Loan | 74,481 | 0.00% |
| Total | <u>\$4,605,999</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 in the amounts of \$1,180,000 and 250,000 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 Water Transmission Line Project. The notes matured on October 28, 2005 and a Water System Improvement Bond Anticipation Note was issued in the amount of \$1,430,000, which will mature on April 28, 2006. The note is collateralized by water and sewer receipts and the Village's taxing authority. The debt is not due until the project is completed and then bonds will be issued by USDA. This debt is not included in the amortization schedule on the following page.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. DEBT (Continued)

The John Deere Tractor 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 completely paid on April 10, 2005.

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 original loan amount was for \$845,954 with a 2% interest rate. The loan has a maturity date of twenty years with the first payment due on January 1, 2005 and the final payment due on July 1, 2024. The loan is collateralized by utility receipts and the full faith and credit of the Village.

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.

Amortization of the above debt, including interest, follows:

| Year ending December 31 | Mortgage Revenue Bonds | John Deere Tractor Lease | OWDA Loan #3199 | OWDA Loan #3971 | OPWC Loan |
|------------------------------------|---------------------------------------|---|----------------------------|--------------------------------|----------------------|
| 2005 | \$104,386 | \$2,756 | \$34,757 | \$51,528 | \$5,959 |
| 2006 | 104,378 | | 34,757 | 51,528 | 5,959 |
| 2007 | 104,324 | | 34,757 | 51,528 | 5,959 |
| 2008 | 104,326 | | 34,757 | 51,528 | 5,959 |
| 2009 | 104,279 | | 34,757 | 51,528 | 5,959 |
| 2010-2014 | 521,692 | | 173,785 | 257,640 | 29,795 |
| 2015-2019 | 521,772 | | 173,785 | 257,640 | 20,851 |
| 2020-2024 | 521,612 | | | 231,876 | |
| 2025-2029 | 521,746 | | | | |
| 2030-2034 | 521,734 | | | | |
| 2035-2039 | 521,644 | | | | |
| Total | \$3,651,893 | \$2,756 | \$521,355 | \$1,004,796 | \$80,441 |

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OPFPF). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPFPF and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2004, OPFPF participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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.

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 coverage for all full-time employees through a private insurance carrier.

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**VILLAGE OF CADIZ
HARRISON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Expenditures |
|--|---|------------------------------------|----------------------------------|
| U.S. Department of Justice | | | |
| <i>Passed Through Ohio Department of Justice:</i> | | | |
| Local Law Enforcement Block Grants Program - COPS Grant | 20000MWX0009 | 16.592 | <u>\$697</u> |
| Total U.S. Department of Justice | | | <u>697</u> |
| U.S. Department of Agriculture | | | |
| Water and Waste Disposal Systems for Rural Communities | N/A | 10.760 | 689,465 <u>1,180,000</u> |
| Total U.S. Department of Agriculture | | | 1,869,465 |
| U.S. Department of Homeland Security | | | |
| <i>Passed Through the Ohio Emergency Management Agency</i> | | | |
| Public Assistance Grant | FEMA-1507-OH | 97.036 | <u>5,006</u> |
| Total U.S. Department of Homeland Security | | | 5,006 |
| U.S. Department of Housing & Urban Development | | | |
| <i>Passed Through Ohio Department of Development:</i> | | | |
| Community Development Block Grant/State's Program | C-W-01-226-1 | 14.228 | <u>385,349</u> |
| Total U.S. Department of Housing & Urban Development | | | 385,349 |
| Total Federal Awards Expenditures | | | <u><u>\$2,260,517</u></u> |

The notes to the federal awards expenditures schedule are an integral part of this schedule.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 year ended December 31, 2004, and have issued our report thereon dated March 3, 2006, wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated March 3, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated March 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, Council, and federal awarding agencies and pass-through entities. It is not intended for 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

March 3, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Cadiz (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal programs. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Cadiz complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of Cadiz
Harrison County
Independent Accountants' Report on
Compliance with Requirements Applicable to
Each Major Federal Program And on Internal
Control over Compliance in Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for 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

March 3, 2006

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Adverse – GAAP Unqualified – Regulatory Basis |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | CFDA # 10.760 Water and Waste Disposal Systems CFDA # 14.228 Community Development Block Grant |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2004-001

Non Compliance Citation

Ohio Revised Code Section 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 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 \$3,000 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. 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 26% of tested expenditures in 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification. The Village also used super blanket certificates for disbursements that were not specific recurring and reasonable predicable operating expenses.

Failure to certify the availability of funds and encumber appropriations could result in overspending in 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. Using super blanket certificates improperly could result in a lack of control over disbursements made. 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 Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing 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 Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|---|-------------------------|--|
| 2003-001 | Finding for Recovery – Overpayment of Compensation | No | Not repaid to Village. |
| 2003-002 | ORC Section 5705.41(D) Disbursements were not properly certified. | No | Cited again as Finding Number 2004-001. |
| 2003-003 | ORC Section 5705.41 (B) Expenditures exceeded appropriations in several funds during 2003. | Yes | Corrected. |
| 2003-004 | ORC Section 5705.39 Appropriations exceeded estimated resources in several funds during 2003. | Yes | Corrected. |
| 2003-005 | ORC Sections 733.28, 733.43, 733.47 The clerk/treasurer did not keep accurate records of all moneys received and expended, accurate bank reconciliations, and financial statements. | Yes | Corrected. |



**Auditor of State
Betty Montgomery**

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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 4, 2006**