



Dave Yost • Auditor of State

VILLAGE OF CADIZ
HARRISON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Cadiz, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cadiz, Harrison County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1F to the financial statements, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 15, 2013

**VILLAGE OF CADIZ
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$94,714	\$16,726		\$111,440
Municipal Income Tax	707,088	38,450	\$23,058	768,596
Intergovernmental	57,243	155,365		212,608
Charges for Services	237,884		4,377	242,261
Fines, Licenses and Permits	46,351			46,351
Earnings on Investments	1,999	63		2,062
Miscellaneous	535,820	20	4,290	540,130
Total Cash Receipts	1,681,099	210,624	31,725	1,923,448
Cash Disbursements:				
Current:				
Security of Persons and Property	471,357	320		471,677
Public Health Services	22,280			22,280
Leisure Time Activities	384,927		13,152	398,079
Community Environment	1,639			1,639
Basic Utility Services	21,404			21,404
Transportation	188,248	125,002		313,250
General Government	316,839			316,839
Capital Outlay	220,370	19,100	2,000	241,470
Debt Service:				
Principal Retirement	52,804	9,475	19,259	81,538
Interest and Fiscal Charges		2,142	4,967	7,109
Total Cash Disbursements	1,679,868	156,039	39,378	1,875,285
Total Cash Receipts Over/(Under) Cash Disbursements	1,231	54,585	(7,653)	48,163
Other Financing Receipts/(Disbursements):				
Sale of Capital Assets	1,046,586			1,046,586
Other Financing Sources	19,898	22,845		42,743
Other Financing Uses		(35,000)		(35,000)
Total Other Financing Receipts/(Disbursements)	1,066,484	(12,155)	0	1,054,329
Net Change in Fund Cash Balances	1,067,715	42,430	(7,653)	1,102,492
Fund Cash Balance, January 1	262,489	273,445	19,281	555,215
Fund Cash Balance, December 31				
Restricted		315,875	11,628	327,503
Unassigned (Deficit)	1,330,204			1,330,204
Fund Cash Balance, December 31	\$1,330,204	\$315,875	\$11,628	\$1,657,707

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

**VILLAGE OF CADIZ
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$1,170,411		\$1,170,411
Total Operating Cash Receipts	<u>1,170,411</u>	<u>\$0</u>	<u>1,170,411</u>
Operating Cash Disbursements:			
Personal Services	232,159		232,159
Employee Fringe Benefits	142,670	673	143,343
Contractual Services	329,585	90,137	419,722
Supplies and Materials	154,197	2,491	156,688
Other		15,113	15,113
Total Operating Cash Disbursements	<u>858,611</u>	<u>108,414</u>	<u>967,025</u>
Operating Income/(Loss)	<u>311,800</u>	<u>(108,414)</u>	<u>203,386</u>
Non-Operating Receipts/Disbursements			
Sale of Notes	3,970		3,970
Premium and Accrued Interest on Debt	(3,970)		(3,970)
Miscellaneous Receipts	2,355	155,645	158,000
Capital Outlay	(20,060)	(67,235)	(87,295)
Principal Retirement	(137,191)		(137,191)
Interest and Other Fiscal Charges	(146,879)		(146,879)
Other Financing Sources		176,897	176,897
Total Non-Operating Receipts/Disbursements	<u>(301,775)</u>	<u>265,307</u>	<u>(36,468)</u>
Net Change in Fund Cash Balances	10,025	156,893	166,918
Fund Cash Balance, January 1	<u>1,073,108</u>	<u>129,851</u>	<u>1,202,959</u>
Fund Cash Balance, December 31	<u>\$1,083,133</u>	<u>\$286,744</u>	<u>\$1,369,877</u>

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

**VILLAGE OF CADIZ
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$100,113	\$16,693		\$116,806
Municipal Income Tax	576,953	31,356	\$18,814	627,123
Intergovernmental	43,118	155,445		198,563
Charges for Services	253,222		2,791	256,013
Fines, Licenses and Permits	44,985	60		45,045
Earnings on Investments	2,522	143		2,665
Miscellaneous	21,849		10,174	32,023
Total Cash Receipts	1,042,762	203,697	31,779	1,278,238
Cash Disbursements:				
Current:				
Security of Persons and Property	429,658	345		430,003
Public Health Services	19,778			19,778
Leisure Time Activities	247,123	3,883	7,475	258,481
Community Environment	1,440			1,440
Transportation	187,430	148,303		335,733
General Government	329,672		100	329,772
Capital Outlay	17,423	500	4,735	22,658
Debt Service:				
Principal Retirement	5,959	24,276	18,672	48,907
Interest and Fiscal Charges		2,806	5,554	8,360
Total Cash Disbursements	1,238,483	180,113	36,536	1,455,132
Total Cash Receipts Over/(Under) Cash Disbursements	(195,721)	23,584	(4,757)	(176,894)
Other Financing Receipts:				
Sale of Notes		6		6
Other Financing Sources	22,860	6,241		29,101
Total Other Financing Receipts	22,860	6,247	0	29,107
Net Change in Fund Cash Balances	(172,861)	29,831	(4,757)	(147,787)
Fund Cash Balance, January 1	435,350	243,614	24,038	703,002
Fund Cash Balance, December 31				
Restricted		273,445	19,281	292,726
Unassigned (Deficit)	262,489			262,489
Fund Cash Balance, December 31	\$262,489	\$273,445	\$19,281	\$555,215

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

**VILLAGE OF CADIZ
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$1,175,258		\$1,175,258
Total Operating Cash Receipts	1,175,258	\$0	1,175,258
Operating Cash Disbursements:			
Personal Services	223,143		223,143
Employee Fringe Benefits	143,466		143,466
Contractual Services	248,628	64,584	313,212
Supplies and Materials	144,664	48,161	192,825
Total Operating Cash Disbursements	759,901	112,745	872,646
Operating Income/(Loss)	415,357	(112,745)	302,612
Non-Operating Receipts/Disbursements			
Intergovernmental	4,600		4,600
Special Assessments	13		13
Sale of Notes	10,363		10,363
Premium and Accrued Interest on Debt	(3,926)		(3,926)
Miscellaneous Receipts	736	72,703	73,439
Capital Outlay	(117,231)	(263,019)	(380,250)
Principal Retirement	(138,814)		(138,814)
Interest and Other Fiscal Charges	(145,458)		(145,458)
Other Financing Sources	271	116,621	116,892
Total Non-Operating Receipts/Disbursements	(389,446)	(73,695)	(463,141)
Net Change in Fund Cash Balances	25,911	(186,440)	(160,529)
Fund Cash Balance, January 1	1,047,197	316,291	1,363,488
Fund Cash Balance, December 31	\$1,073,108	\$129,851	\$1,202,959

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, 2012 AND 2011**

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 directs the Village. The Village provides water and sewer utilities, park operations, street repair and maintenance, and police services. The Village contracts with the Cadiz Volunteer Fire Department for fire protection services.

The Village participates in the Ohio Plan Risk Management, Inc. a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization provides a jointly administered self-insurance risk management program and other administrative services to Ohio governments.

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

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Sally Buffalo General Development Fund – This fund receives donations and is used for improvements to the park.

Water/Sewer Capital Projects Fund – This fund receives local income tax revenues and grants for water/sewer capital projects.

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

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

5. Fiduciary Funds

Fiduciary funds include agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's Community Improvement Corporation (CIC) Agency Fund accounts for monies the CIC lends to new and existing businesses within the Village to promote economic development and the repayment of these loans. Also, the CIC charges monthly rent to a corporation for property owned by the CIC.

VILLAGE OF CADIZ
HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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, function or object level of control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are carried forward, and need not be reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF CADIZ
HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

F. **Fund Balance (Continued)**

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. **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.

H. **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 Deposits and Investments**

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

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

	2012	2011
Demand deposits	\$1,664,295	\$135,552
Certificates of deposit	489,493	489,493
Total deposits	2,153,788	625,045
STAR Ohio	873,796	1,133,129
Total deposits and investments	\$3,027,584	\$1,758,174

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011, follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,833,716	\$2,747,583	(\$86,133)
Special Revenue	246,921	233,469	(13,452)
Capital Projects	38,910	31,725	(7,185)
Enterprise	1,191,046	1,176,736	(14,310)
Fiduciary	332,542	332,542	0
Total	\$4,643,135	\$4,522,055	(\$121,080)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,685,892	\$1,685,892	\$0
Special Revenue	191,039	191,039	0
Capital Projects	39,378	39,378	0
Enterprise	1,164,829	1,168,799	(3,970)
Fiduciary	175,649	175,649	0
Total	\$3,256,787	\$3,260,757	(\$3,970)

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,086,117	\$1,065,622	(\$20,495)
Special Revenue	220,470	209,944	(10,526)
Capital Projects	32,775	31,779	(996)
Enterprise	1,223,050	1,191,241	(31,809)
Fiduciary	198,000	189,324	(8,676)
Total	\$2,760,412	\$2,687,910	(\$72,502)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,241,482	\$1,247,033	(\$5,551)
Special Revenue	180,113	180,113	0
Capital Projects	36,536	36,536	0
Enterprise	1,169,605	1,173,531	(3,926)
Fiduciary	407,161	407,161	0
Total	\$3,034,897	\$3,044,374	(\$9,477)

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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. Local Income Tax

The Village levies a municipal income tax of one 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, 2012 AND 2011
(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.

All sums collected were receipted into the General Fund with the following exceptions:

Equipment Fund (2%) for the replacement of equipment and machinery as needed;
Street Paving Fund (3%) for maintenance, repair, paving and resurfacing of Village roadways, streets and alleys; and
Capital Projects Fund (3%) for the construction and reconstruction for water and sewer projects.

6. Debt

Debt outstanding at December 31, 2012, was as follows:

	Principal	Interest Rate
USDA Bonds 1999	\$1,612,200	4.50%
USDA Bonds 2006	1,103,900	4.38%
OWDA Loan #3199	225,988	2.00%
OWDA Loan #3971	527,025	2.00%
OWDA Loan #4883	86,401	5.28%
PNC Dump Truck	31,509	5.14%
PNC Bond Series 2006	169,367	5.54%
Cadiz CIC Water Tower	162,850	1.50%
Total	\$3,919,240	

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 requirement of the mortgage revenue bonds.

The United States Department of Agriculture (USDA) Water System Mortgage Revenue Bonds, Series 2006, were issued in the amount of \$1,180,000 on April 28, 2006 to refund the National City Bank Bond Anticipation Notes issued on October 28, 2003. The Village will make annual payments. The bonds mature on April 1, 2046.

The Ohio Water Development Authority (OWDA) loan #3199 relates to the construction of a water tank and water sewer line project. The loan will be repaid in semi-annual installments of \$17,379 including interest over a twenty-year period. The Village borrowed \$570,210. The loan is collateralized by water receipts and income tax.

The Ohio Water Development Authority (OWDA) loan #3971 relates to the construction of the Tappan Lake Raw Water Transmission Line project. The original loan was for \$845,954 with a 2% interest rate. The loan has a maturity date of twenty years with the final payment due on July 1, 2024. The loan is collateralized by utility receipts and the full faith and credit of the Village.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

The Ohio Water Development Authority (OWDA) loan #4883 relates to the inflow sewer study. During 2012 and 2011, the Village drew down \$3,970 and \$10,363 in additional loan proceeds, respectively. The Village makes semi-annual payments of \$2,250. The loan has a maturity date of January 1, 2014. The loan is collateralized by utility receipts and the full faith and credit of the Village. The amortization schedule is not available.

The PNC dump truck loan was issued in the amount of \$50,000. The Village will make annual payments of \$11,616 with the final payment due on March 3, 2015.

The PNC Water System Improvement Bond, Series 2006, was issued in the amount of \$250,000 for improvement to the water lines of the Village. The bond matures on April 28, 2021. The loan is collateralized by water receipts.

The Cadiz Community Improvement Corporation Loan (CIC) was issued in the amount of \$195,000 for construction of the Industrial Park waterline and water tower that is jointly conducted with Harrison County. An additional \$59,000 was added to the loan in 2009. The Village will make annual payments of \$25,000.

The Village issued revenue improvement bonds on behalf of the Harrison Community Hospital in the amount of \$3,000,000 dated December 1, 2006. The interest rate is variable. The hospital is responsible for the principal and interest payments. The Hospital only provided the agreed upon principal. The interest due by year was not available.

The agreed principal redemption amounts by year are as follows:

Year ending December 31:	Hospital Bonds
2013	\$70,000
2014	75,000
2015	80,000
2016	85,000
2017	90,000
Thereafter	1,085,000
Total	<u>\$1,485,000</u>

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	USDA Bonds 1999	USDA Bonds 2006	OWDA Loan #3199	OWDA Loan #3971
2013	\$104,349	\$62,996	\$34,757	\$51,528
2014	104,318	62,952	34,757	51,528
2015	104,424	62,983	34,757	51,528
2016	104,258	62,983	34,757	51,528
2017	104,329	62,953	34,757	51,528
2018-2022	521,761	314,939	86,894	257,640
2023-2027	521,699	314,936		103,056
2028-2032	521,708	314,966		
2033-2037	521,645	314,897		
2038-2042	208,684	314,939		
2043-2047		251,918		
Total	<u>\$2,817,175</u>	<u>\$2,141,462</u>	<u>\$260,679</u>	<u>\$618,336</u>

Year ending December 31:	PNC Dump Truck	PNC 2006 Bond	CIC Water Tower
2013	\$11,616	\$25,036	\$25,000
2014	11,616	24,880	25,000
2015	11,616	24,716	25,000
2016		24,545	25,000
2017		24,366	25,000
2018-2021		95,508	50,000
Total	<u>\$34,848</u>	<u>\$219,051</u>	<u>\$175,000</u>

7. Retirement System

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions.

Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cadiz, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider significant deficiencies in internal control. We consider findings 2012-02 and 2012-03 to be significant deficiencies.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-01.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 15, 2013

VILLAGE OF CADIZ
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

Finding Number 2012-01

Noncompliance Citation

Ohio Rev. 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 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 officers' 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 clerk/treasurers' 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 Village Council if such expenditure is otherwise valid.
2. Blanket Certificate - Fiscal Officer 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 a particular time for any line item appropriation.

The Village did not properly certify 52% of tested expenditures in 2012 and 42% of tested expenditures in 2011.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2012-01 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D) (Continued)

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 Fiscal Officer 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 clerk/treasurer 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 Village should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: In the future, we will utilize blanket P.O.'s. Also, will send memos to department heads to certify purchases.

Finding Number 2012-02

Significant Deficiency

The Village did not correctly code and classify all receipts and disbursements in 2012 and 2011, resulting in adjustments and reclassifications to the financial statements. The following adjustments, to which management agrees, are reflected in the accompanying financial statements.

2012

Fund Name	Account Type	Amount	Description
Adjustment			
Sewer Surcharge Improvement	Sale of Notes Premium and Accrued Interest on Debt	\$ 3,970	Adjusted: Accrued interest was not posted.
Reclassification			
Street Construction, Maintenance, & Repair	Principal Retirement	\$464	Reclassified; posted as Interest.
Water Debt Service	Interest & Other Fiscal Charges	\$2,319	Reclassified; posted as Principal Retirement.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

Finding Number 2012-02 (Continued)

Significant Deficiency (Continued)

2011

Fund Name	Account Type	Amount	Description
Adjustment			
Sewer Surchage Improvement	Sale of Notes Premium and Accrued Interest on Debt	\$ 3,926	Accrued interest was not posted.
Reclassification			
Sewer Surchage Improvement	Sale of Notes	\$ 6,436	Reclassified; posted as Intergovernmental.
Water/Sewer Project	Principal Retirement	\$1,112	Reclassified; posted as Interest.
Street Construction, Maintenance, & Repair	Principal Retirement	\$6,405	Reclassified; posted as Interest.
Water Debt Service	Interest & Other Fiscal Charges	\$2,650	Reclassified; posted as Principal Retirement.
Sewer Surchage Improvement	Contractual Services	\$466	Reclassified; posted as Principal Retirement.

Failure to consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance related legal and contractual requirements.

We recommend the Village Clerk/Treasurer maintain the accounting system to enable the Village to identify, assemble analyze, classify, record and report all transactions and to maintain accountability. The Village should adopt procedures for the review of the ledgers, reconciliations, and the annual financial report.

Officials' Response: In the future, we will follow amortization schedule to properly classify principal and interest.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2012-03

Significant Deficiency

The Clerk/Treasurer did not prepare accurate bank reconciliations on a monthly basis; therefore the Village did not maintain accounting records sufficient to reasonably assure accountability for all transactions. Failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors occurring without detection and prevents Village management from having accurate financial information. The following audit adjustments were necessary to reconcile the accounting records to the confirmed bank balances. The Clerk/Treasurer has agreed to the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have been posted to the Village's accounting records.

	Line Item	Amount	Description
2012:			
General	Beginning Balance	(\$11,716)	Incorrect fund balance adjustment.

	Line Item	Amount	Description
2011:			
General	Beginning Balance	\$7,368	Incorrect fund balance adjustment.
Street Paving	Beginning Balance	\$48	Incorrect fund balance adjustment.
Equipment Fund	Beginning Balance	\$32	Incorrect fund balance adjustment.
Water and Sewer Project	Beginning Balance	\$48	Incorrect fund balance adjustment.
Water Operating	Beginning Balance	\$1,187	Incorrect fund balance adjustment.
Sewer Operating	Beginning Balance	\$200	Incorrect fund balance adjustment.
Sewer Surcharge Improvement	Beginning Balance	(\$2,250)	Incorrect fund balance adjustment.
Community Improvement Council	Beginning Balance	\$2,250	Incorrect fund balance adjustment.
General	Other Financing Sources	\$938	Unknown posting error.

VILLAGE OF CADIZ
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

Finding Number 2012-03 (Continued)

Significant Deficiency (Continued)

We recommend the Clerk/Treasurer prepare accurate monthly bank to book reconciliations to reasonably assure that the Village has accounted for all transactions. The Clerk/Treasurer should investigate and document all discrepancies and errors noted when preparing the monthly reconciliations. In addition, the Clerk/Treasurer and Village Council should carefully review the Village's current cash cycle procedures, identify the weaknesses and implement procedures to adequately safeguard the Village's assets. Improving the cash cycle procedures will strengthen control over the Village's assets, reduce the risk of errors going undetected, and provide accurate financial records to the Village's management.

Officials' Response: We have posted the requested adjustments and have turned in to the Auditor of State.

**VILLAGE OF CADIZ
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-VCHC-01	Ohio Rev. Code Section 5705.41(D)(1) for not always obtaining prior certification of availability of funds prior to incurring the obligation.	No	Not Corrected: Reissued as Finding Number 2012-01.
2010-VCHC-02	Ohio Rev. Code Section 5705.36(A)(3) for not obtaining a certificate of estimated resources upon determination of an increase or decrease in revenues.	Yes	N/A.
2010-VCHC-03	Proper recording of reduction of principal and interest, and proceeds of new loans.	No	Not Corrected; Reissued as Finding Number 2012-02.
2010-VCHC-04	Ohio Rev. Code Section 5705.41(B) expenditures plus encumbrances exceeded appropriations for some funds.	Yes	N/A.
2010-VCHC-05	Ohio Rev. Code Section 735.29 on the powers and duties of the board of trustees of public affairs.	Yes	N/A.
2010-VCHC-06	Ohio Rev. Code Section 5705.39 total appropriations exceeded total estimated fund resources for some funds.	Yes	N/A.



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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
DECEMBER 24, 2013**