

***VILLAGE OF CADIZ COMMUNITY
IMPROVEMENT CORPORATION***

HARRISON COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015





Dave Yost • Auditor of State

Board of Trustees
Village of Cadiz Community Improvement Corporation
128 Court Street
Cadiz, Ohio 43907

We have reviewed the *Independent Auditor's Report* of the Village of Cadiz Community Improvement Corporation, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Village of Cadiz Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 31, 2017

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VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Cadiz Community Improvement Corporation
Harrison County
128 Court Street
Cadiz, Ohio 43907

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Cadiz Community Improvement Corporation, Harrison County, Ohio as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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


As described in Note 1 of the financial statements, the Corporation prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between 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 material.

Adverse Opinion

In our opinion, because of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly the financial position and results of operations and cash flows of the Village of Cadiz Community Improvement Corporation, Harrison County, Ohio as of and for the years ended December 31, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 15, 2017

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash Disbursements:		
Current:		
Contractual Services	\$ 440,557	\$ 388,329
Supplies and Materials	261	6,680
Other	118	-
	440,936	395,009
Other Financing Receipts/(Disbursements)		
Capital Outlay	(138,830)	(484,806)
Leases and Loan Receipts	289,072	428,757
	150,242	(56,049)
Excess of Cash Receipts and Other Financing Receipts Over/Under Cash Disbursements and Other Financing Disbursements	(290,694)	(451,058)
Fund Cash Balances, January 1	336,262	787,320
Fund Cash Balances, December 31	\$ 45,568	\$ 336,262

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The Village of Cadiz Community Improvement Corporation (the Corporation) is an Ohio non-profit corporation and was incorporated in 1998 under authority of Ohio Revised Code Section 1702.01 and Chapter 1724. The Corporation is governed by 9 trustees, consisting of the mayor and two council members of the Village of Cadiz and six members comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development in the Village of Cadiz.

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

B. Basis of Accounting

Although required by Ohio Revised Code Section 1724.05 to file its annual report pursuant to accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement on a cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursement are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters.

C. Tax Status

The Corporation is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. By virtue of Ohio law the Corporation is not subject to Ohio income taxes.

D. Property, Plant, and Equipment

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

2. DEPOSITS

The corporation has entered into an agency agreement with the Village of Cadiz to be the custodian of the Corporation's deposits and accounting system. The Village's deposit and investment pool holds the Corporation's assets, valued at the Village's reported carrying amount.

3. RISK MANAGEMENT

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Wrongful acts and dishonesty bond

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There were no significant reductions in coverage from prior year.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

4. LOANS

The Corporation has entered into various loans. The following schedule lists the outstanding loans at December 31, 2016 and delinquent amount, if applicable.

Borrower	Loans Outstanding at 12/31/2016	Loans Delinquent at 12/31/2016
Class Act	\$ 3,787	\$ -
Frontz Just Things	10,721	10,721
Heavistar	27,978	27,978
Lee J. Ledger and Wanda S. Ledger	11,359	11,359
MaCol Maching, Inc.	2,851	2,851
James Pollock	37,947	37,947
Schloss Media/News Herald	41,614	-
Schloss Media/Merchanette	92,608	-
John Visser	17,854	-
Total	\$ 246,719	\$ 90,856

In 2008, the Corporation received a Judgment Entry and Decree of Foreclosure for James A Pollock. The Corporation does not expect to collect this remaining balance on the James A. Pollock loan. In addition, the Corporation received proceeds in the amount of \$3,726 from an auction of Heavistar assets. The Corporation does not expect to collect on the remaining balance of this loan. The loan to Lee J. Ledger and Wanda S. Ledger is also in bankruptcy and the Corporation does not expect to collect the balance of this loan. The Corporation is in the process of writing these loans off as they will not be collectable.

5. LEASE/RENT AGREEMENTS

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Cadiz Community Improvement Corporation
Harrison County
128 Court Street
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cadiz Community Improvement Corporation, Harrison County, Ohio (the Corporation) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 15, 2017, wherein we noted the Corporation uses a special purpose framework other than generally accepted accounting principles. We issued an adverse opinion on the 2016 and 2015 financial statements due to the Corporation failing to prepare financial statements that followed accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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 2016-002.

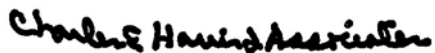
We also noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated June 15, 2017.

Entity's Responses to Findings

The Corporations' responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Corporation'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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 15, 2017

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001 - Material Weakness

Posting Receipts

Receipts should be posted to the entity, fund and line item accounts as established by Ohio Administrative Code. During 2015, receipts were not always posted correctly. We noted that certain loan receipts in the amount of \$1,304, belonging to the Corporation were posted to the Village of Cadiz's CDBG Revolving Loan Fund.

Not posting receipts accurately and to the correct entity resulted in the financial statements requiring adjustments. The financial statements reflect all adjustments. The Corporation has made the adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

Officials' Response – See Corrective Action Plan

FINDING NUMBER 2016-002 - Noncompliance

Ohio Rev. Code § 1724.05 requires each community improvement corporation established under Ohio Rev. Code Chapter 1724 to report annually in accordance with generally accepted accounting principles. Auditor of State Bulletin 2005-002 describes the accounting and financial statement presentation requirements for GAAP-mandated entities.

Each community improvement corporation shall prepare an annual financial report that conforms to rules prescribed by the auditor of state pursuant to § 117.20 of the Revised Code, that is prepared according to generally accepted accounting principles, and that is certified by the board of directors of the corporation or its treasurer or other chief fiscal officer to the best knowledge and belief of those persons certifying the report. The financial report shall be filed with the Auditor of State within one hundred twenty days following the last day of the Corporation's fiscal year, unless the Auditor of State extends that deadline. The Auditor of State may establish terms and conditions for granting any extension of that deadline. The financial report shall be published on the Corporation's web site, or if the Corporation does not have a web site, on the web site of the county in which the Corporation is located.

The Corporation prepared its financial statements and notes on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit the financial position of the Corporation at December 31, 2016 and 2015, changes in financial position or cash flows, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other legal administrative remedies may be taken against the Corporation.

VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-002 – Noncompliance (Continued)

We recommend the Corporation take the necessary steps to ensure that the annual financial report is prepared and filed in accordance with generally accepted accounting principles.

Officials' Response: See Corrective Action Plan

**VILLAGE OF CADIZ COMMUNITYIMPROVEMENT CORPORATION
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 1724.05 – Not preparing the annual report on a GAAP Basis of Accounting.	Not corrected	Repeated in current year Schedule of Findings as Finding 2016-002
2014-002	Ohio Rev. Code § 1724.10(B)(2) – Authorization for the Corporation to sell or lease real property owned by another political subdivision.	Fully corrected	

VILLAGE OF CADIZ COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY

CORRECTIVE ACTION PLAN
December 31, 2016 and 2015

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2016-001	Clerk/Treasurer will review financial statements to ensure that all receipts are posted to the correct fund and account.	Immediately	Amy Ossman, Clerk/Treasurer
2016-002	The Board will consider hiring an accountant in the future to prepare GAAP statements.	Year-end 2017	Mike Silva, Board President



Dave Yost • Auditor of State

VILLAGE OF CADIZ COMMUNITY IMPROVEMENT SORPORT

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
SEPTEMBER 12, 2017**