



**Auditor of State  
Betty Montgomery**



VILLAGE OF CATAWBA  
CLARK COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Catawba  
Clark County  
115 South Persimmon Street  
P.O. Box 25  
Catawba, Ohio 43010

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary activities, each major fund and the aggregate remaining fund information of the Village of Catawba, Clark County, (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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. We believe our audit provides a reasonable basis for our opinions.

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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, the fiduciary activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Street Construction, Repair and Maintenance Fund, and State Highway Fund thereof for the year ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis* – for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 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.

Management's discussion and analysis are not a required part of the basic financial statements but are supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

August 23, 2006

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

The discussion and analysis of the Village of Catawba's (the Village) financial performance provides an overall review of the Village's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Village's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June, 1999. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the *GASB Statement No. 34* permits the omission of the comparative information in the first year of adoption of the new reporting model, the Governing Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets increased \$25,507, which represents a 22.58 percent increase from 2004.
- The Village's general receipts are primarily municipal income taxes. Municipal income tax receipts for 2005 increased \$614 over 2004.

**Using this Financial Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the entity-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

**Basis of Accounting**

This basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as municipal income taxes.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, business-like and fiduciary.

**Governmental Funds** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The Village's major governmental funds are the General Fund, Street Maintenance and Repair Fund and the State Highway Fund. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is normally combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

VILLAGE OF CATAWBA  
CLARK COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)

**Business-Like Funds** – The Village maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses the enterprise funds to account for its Water Operating Fund and Sewer Operating Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Operating and Sewer Operating Funds, both of which are considered to be major funds of the Village.

**Fiduciary Fund** – The fiduciary fund is used to account for resources held for the benefit of parties outside the Village. The fiduciary fund is not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's only agency fund account is its Mayor's Court Fund.

Table 1 provides a summary of the Village's net assets for fiscal year 2005 and fiscal year 2004.

**(Table 1)**  
**Net Assets**

	<u>2005</u>	<u>2004</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$138,429	\$112,922
<b>Net Assets:</b>		
Total Net Assets	<u>\$138,429</u>	<u>\$112,922</u>

Total net assets increased \$25,507. Cash and cash equivalents increased by \$25,507 from 2004. The primary reason for the increase was due to an increase in charges for services revenue from water and sewer operating funds. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased due to these charges for services.

Table 2 shows the changes in net assets for fiscal year 2005, as well as a listing of revenues and expenses. Since this is the first year the Village has prepared financial statements following *GASB Statement No. 34*, revenue and expense comparisons to fiscal year 2004 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

**(Table 2)  
Change in Net Assets**

	<b>Governmental Activities 2005</b>	<b>Business-Type Activities 2005</b>
<b>Operating Revenues:</b>		
Property Taxes Levied for General Purposes	\$7,373	
Municipal Income Taxes	30,241	
Intergovernmental Revenue	17,146	
Charges for Services	7,204	107,273
Fees, Licenses, Permits	10,128	
Earnings on Investments	210	435
Miscellaneous	8	4
<b>Total Receipts</b>	<b>72,310</b>	<b>107,712</b>
<b>Operating Disbursements:</b>		
Security of Persons or Property	9,532	
Personal Services		12,357
Employee Fringe Benefits		2,296
Contractual Services		7,534
Supplies and Materials		26,383
Public Health Services	2,696	
Leisure Time Activities	300	
Basic Utility Services	20,141	
Transportation	1,424	
General Government	30,262	
<b>Total Disbursements</b>	<b>64,355</b>	<b>48,570</b>
 Operating Income/Loss	 7,955	 59,142
<b>Non-Operating (Disbursements)</b>		
Principal Payments		(31,809)
Interest and Fiscal Charges		(9,782)
<b>Total Non-Operating Receipts(Disbursements)</b>		<b>(41,591)</b>
 Change in Net Assets	 7,955	 17,551
 Net Assets Beginning of Year	 37,663	 75,250
<b>Net Assets End of Year</b>	<b>\$45,618</b>	<b>\$92,801</b>

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

**Debt Administration**

The Village has outstanding debt at December 31, 2005 of \$261,025 in OWDA loans. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizen's with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information contact Marjol Burr, Clerk at the Village of Catawba, 115 South Persimmon Street, Catawba, Ohio 43010.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$45,618	\$92,801	\$138,419
<b>Net Assets:</b>			
Restricted For:			
Other Purposes	27,607		27,607
Unrestricted	18,011	92,801	110,812
Total Net Assets	\$45,618	\$92,801	\$138,419

*See accompanying notes to the basic financial statements.*

VILLAGE OF CATAWBA  
CLARK COUNTY

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
GOVERNMENTAL AND BUSINESS TYPE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business Type Activities	
<b>Governmental Activities</b>						
Current:						
Security of Persons and Property	\$9,532			(\$9,532)		(\$9,532)
Public Health Services	2,696			(2,696)		(2,696)
Leisure Time Activities	300	7,204		6,904		6,904
Transportation	1,425		11,940	10,515		10,515
General Government	45,304	10,128		(35,176)		(35,176)
Other	5,099			(5,099)		(5,099)
<b>Total Governmental Activities</b>	<b>64,356</b>	<b>17,332</b>	<b>11,940</b>	<b>(35,084)</b>		<b>(35,084)</b>
<b>Business Type Activities</b>						
Water Operating	28,255	32,365			\$4,110	4,110
Sewer Operating	61,906	74,908			13,002	13,002
<b>Total Business Type Activities</b>	<b>90,161</b>	<b>107,273</b>			<b>17,112</b>	<b>17,112</b>
<b>Total Primary Government</b>	<b>\$154,517</b>	<b>\$124,605</b>	<b>\$11,940</b>	<b>(35,084)</b>	<b>17,112</b>	<b>(17,972)</b>
<b>General Receipts</b>						
Property Taxes Levied for General Purposes				7,373		7,373
Municipal Income Taxes				30,241		30,241
Intergovernmental Revenue				5,206		5,206
Earnings on Investments				211	436	647
Miscellaneous				8	4	12
<b>Total General Receipts</b>				<b>43,039</b>	<b>440</b>	<b>43,479</b>
Change in Net Assets				7,955	17,552	25,507
Net Assets Beginning of Year				37,663	75,249	112,912
Net Assets End of Year				<b>\$45,618</b>	<b>\$92,801</b>	<b>\$138,419</b>

See accompanying notes to the basic financial statements.

VILLAGE OF CATAWBA  
CLARK COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

	<u>General Fund</u>	<u>Street Const Maintenance and Repair Fund</u>	<u>State Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$18,011</u>	<u>\$20,847</u>	<u>\$6,752</u>	<u>\$8</u>	<u>\$45,618</u>
<b>Fund Balances:</b>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	18,011				18,011
Special Revenue Funds		<u>20,847</u>	<u>6,752</u>	<u>8</u>	<u>27,607</u>
Total Fund Balances	<u>\$18,011</u>	<u>\$20,847</u>	<u>\$6,752</u>	<u>\$8</u>	<u>\$45,618</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CATAWBA  
CLARK COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Street Const Maintenance and Repair Fund</u>	<u>State Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>					
General Property Tax	\$4,677			\$2,696	\$7,373
Municipal Income Taxes	30,241				30,241
Intergovernmental Revenue	5,206	11,045	895		17,146
Charges for Services	7,204				7,204
Fees, License and Permits	10,128				10,128
Earnings on Investments	93	84	33		210
Other Receipts	8				8
	<u>57,557</u>	<u>11,129</u>	<u>928</u>	<u>2,696</u>	<u>72,310</u>
Total Cash Receipts					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	9,532				9,532
Public Health Services				2,696	2,696
Leisure Time Activities	300				300
Basic Utility Services	20,141				20,141
Transportation		1,424			1,424
General Government	26,162	2,898	1,202		30,262
	<u>56,135</u>	<u>4,322</u>	<u>1,202</u>	<u>2,696</u>	<u>64,355</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	1,422	6,807	(274)		7,955
Fund Cash Balances, Beginning of Year	<u>16,589</u>	<u>14,040</u>	<u>7,026</u>	<u>8</u>	<u>37,663</u>
Fund Cash Balances, End of Year	<u>\$18,011</u>	<u>\$20,847</u>	<u>\$6,752</u>	<u>\$8</u>	<u>\$45,618</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CATAWBA  
CLARK COUNTY

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Total</u>
Equity in Pooled Cash and Cash Equivalents	<u>\$51,991</u>	<u>\$40,810</u>	<u>\$92,801</u>
<b>Net Assets:</b>			
Unrestricted	<u>51,991</u>	<u>40,810</u>	<u>92,801</u>
Total Net Assets	<u><u>\$51,991</u></u>	<u><u>\$40,810</u></u>	<u><u>\$92,801</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
MODIFIED-CASH BASIS FUND BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Water Operating Fund</u>	<u>Sewer Operating</u>	<u>Enterprise Total</u>
<b>Cash Receipts:</b>			
Charges for Services	\$32,365	\$74,908	\$107,273
Other Receipts		4	4
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	32,365	74,912	107,277
<b>Cash Disbursements:</b>			
Current:			
Personal Services	6,232	6,125	12,357
Employee Fringe Benefits	1,156	1,140	2,296
Contractual Services	7,534		7,534
Supplies and Materials	13,333	13,050	26,383
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	28,255	20,315	48,570
Operating Income	<hr/>	<hr/>	<hr/>
	4,110	54,597	58,707
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments	244	191	435
Principal Payments		(31,809)	(31,809)
Interest and Fiscal Charges		(9,782)	(9,782)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Receipts (Disbursements)	244	(41,400)	(41,156)
Total Receipts Over Disbursements	4,354	13,197	17,551
Fund Cash Balances, Beginning of Year	<hr/>	<hr/>	<hr/>
	47,637	27,613	75,250
Fund Cash Balances, End of Year	<hr/>	<hr/>	<hr/>
	<u>\$51,991</u>	<u>\$40,810</u>	<u>\$92,801</u>

*See accompanying notes to the basic financial statements.*

VILLAGE OF CATAWBA  
CLARK COUNTY

MAYOR'S COURT FUND  
DECEMBER 31, 2005

	<u>Mayor's Court Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$10</u>
<b>Net Assets:</b>	
Unrestricted	<u>10</u>
Total Net Assets	<u><u>\$10</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
General Property Tax	\$4,203	\$4,203	\$4,677	\$474
Municipal Income Taxes	31,500	31,500	30,241	(1,259)
Intergovernmental	8,044	8,044	5,206	(2,838)
Charges for Services	7,200	7,200	7,204	4
Fees, Licenses and Permits			10,128	10,128
Earnings on Investments	200	200	93	(107)
Other Receipts			8	8
	<u>51,147</u>	<u>51,147</u>	<u>57,557</u>	<u>6,410</u>
Total Cash Receipts				
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	11,200	11,200	9,532	1,668
Leisure Time Activities	300	300	300	
Basic Utility Services			20,141	(20,141)
General Government	56,082	56,082	26,162	29,920
	<u>67,582</u>	<u>67,582</u>	<u>56,135</u>	<u>11,447</u>
Total Cash Disbursements				
Net Change in Fund Balance	(16,435)	(16,435)	1,422	17,857
Fund Balances, Beginning of Year	<u>16,589</u>	<u>16,589</u>	<u>16,589</u>	
Fund Balances, End of Year	<u>\$154</u>	<u>\$154</u>	<u>\$18,011</u>	<u>\$17,857</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$6,507	\$6,507	\$11,045	\$4,538
Earnings on Investments	50	50	84	34
	<u>6,557</u>	<u>6,557</u>	<u>11,129</u>	<u>4,572</u>
<b>Disbursements:</b>				
Current:				
Transportation	20,278	20,278	4,322	15,956
	<u>20,278</u>	<u>20,278</u>	<u>4,322</u>	<u>15,956</u>
Net Change in Fund Balance	(13,721)	(13,721)	6,807	20,528
Fund Balances, Beginning of Year	14,040	14,040	14,040	
Fund Balances, End of Year	<u>\$319</u>	<u>\$319</u>	<u>\$20,847</u>	<u>\$20,528</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF CATAWBA  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
STATE HIGHWAY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$590	\$590	\$895	\$305
Earnings on Investments	35	35	33	(2)
Total Cash Receipts	<u>625</u>	<u>625</u>	<u>928</u>	<u>303</u>
<b>Disbursements:</b>				
Current:				
Transportation	<u>7,646</u>	<u>7,646</u>	<u>1,202</u>	<u>6,444</u>
Total Cash Disbursements	<u>7,646</u>	<u>7,646</u>	<u>1,202</u>	<u>6,444</u>
Net Change in Fund Balance	(7,021)	(7,021)	(274)	6,747
Fund Balances, Beginning of Year	<u>7,026</u>	<u>7,026</u>	<u>7,026</u>	
Fund Balances, End of Year	<u><u>\$5</u></u>	<u><u>\$5</u></u>	<u><u>\$6,752</u></u>	<u><u>\$6,747</u></u>

*See accompanying notes to the basic financial statements.*

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**VILLAGE OF CATAWBA  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Catawba, Clark County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six member Council. The Village provides water and sewer utilities, park operations and police.

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

**B. Basis of Accounting**

The Village chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting the Auditor of State prescribes or permits. This basis of accounting is similar to the cash receipts and disbursements 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). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the year.

**C. Fund Accounting**

The Village uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Village classifies each fund as either governmental, business-type or fiduciary.

**1. Governmental**

The Village classifies funds financed primarily from taxes, intergovernmental receipts and other non exchange transactions as governmental funds. The following is the Village's major governmental funds:

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

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

**State Highway Fund** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**2. Business-Type**

These funds are used to 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 business-type funds:

**VILLAGE OF CATAWBA  
CLARK COUNTY**

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

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

**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

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is comprised by an agency fund:

**Mayor's Court Fund** – This fund records activity of the Village Mayor's Court receipts and disbursements.

**D. Basis of Presentation**

The Village's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

**1. Government-wide Financial Statement of Activities**

This statement displays information about the Village as a whole, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash-basis or draws from the Village's general receipts.

**2. Fund Financial Statements**

Fund financial statements report more detailed information about the Village. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column.

**E. Cash, Cash Equivalents and Investments**

The Village deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents on the financial statements.

The Village values cash equivalents at cost. For presentation on the financial statements, the Village classifies investments of the cash management pool as cash equivalents.

Following Ohio statutes the Village specified the funds to receive an allocation of interest earnings. Interest earnings credited to the General Fund during fiscal year 2005 was \$93.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

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

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

**F. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

**G. Long-term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**H. Fund Balance Designations and Reserves**

The Village reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The Village has reserved fund equity for encumbrances.

**I. Net Assets**

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The Village first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**J. Budgetary Data**

Ohio law requires the Village to budget and appropriate all funds. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Village may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board uses the object level within each fund as its legal level of control.

The certificate of estimated resources may be amended during the year if the Village projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

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

**2. CHANGE IN PRESENTATION**

For the year ended December 31, 2005, the Village implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For the State and Local Governments*. Although the Village is reporting on a cash basis financial statements they have implemented new reporting requirements for the cash basis financial statements that changed the fund structure.

**3. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Village. Property tax revenue received during 2005 for real and public utilities property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made during 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the Village. The County Auditor periodically remits to the Village its portion of taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, and for which there is an enforceable legal claim.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$2.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$2,902,970
Public Utility Property	97,590
Tangible	13,110
Totals	<u><u>\$3,013,670</u></u>

**VILLAGE OF CATAWBA  
CLARK COUNTY**

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

**4. DEPOSITS AND INVESTMENTS**

Ohio law restricts deposits and investments to the following:

- a. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawable (NOW) accounts;
- b. Money market accounts;
- c. Savings accounts or certificates of deposit;
- d. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
- e. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
- f. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);
- g. Certain bankers' acceptances and commercial paper notes;
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific Village obligation or debt and must be purchased with the exception it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits** – At year-end, the carrying amount of the Village's deposits was \$138,429 and the bank balance was \$139,864. \$100,000 of the bank balance was covered by federal depository insurance and \$39,864 was covered by pooled collateral.

**5. RISK MANAGEMENT**

**Risk Pool Membership**

The Village is a member of the Ohio Municipal League Joint Self Insurance pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may make supplemental premiums. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle

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 the Village's behalf.

**6. LOCAL INCOME TAX**

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

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.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

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

**7. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority #216	\$182,525	2.00%
Ohio Water Development Authority #785	56,883	7.36%
Ohio Water Development Authority #785-C	8,504	7.36%
Ohio Water Development Authority #3893	13,113	4.28%
Total	\$261,025	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt, including interest, follows:

<b>Year ending December 31:</b>	<b>OWDA Loans</b>
2006	41,617
2007	41,644
2008	41,674
2009	41,724
2010	41,737
2011-2015	87,692
2016-2018	3,413
Total	\$299,501

**8. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, member accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

**VILLAGE OF CATAWBA  
CLARK COUNTY**

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

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Village paid all contributions required through December 31, 2005.

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investment of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$38,736. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

During December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCCP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

VILLAGE OF CATAWBA  
CLARK COUNTY

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

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.



## 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 Catawba  
Clark County  
115 South Persimmon Street  
P.O. Box 25  
Catawba, Ohio 43010

To the Village Council:

We have audited the financial statements of the Village of Catawba, Clark County, (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 23, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 Comptroller General of the United States' *Government Auditing Standards*.

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*.

#### **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.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated August 23, 2006, we reported a matter related to noncompliance we deemed immaterial.

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Village of Catawba  
Clark 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, and Village Council. 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

August 23, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF CATAWBA**

**CLARK 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 19, 2006**