



Mary Taylor, CPA
Auditor of State

VILLAGE OF CATAWBA
CLARK COUNTY

TABLE OF CONTENTS

| <u>TITLE</u> | <u>PAGE</u> |
|--|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis For the Year Ended December 31, 2007 | 3 |
| Statement of Net Assets – Cash Basis December 31, 2007..... | 9 |
| Statement of Activities – Cash Basis For the Year Ended December 31, 2007 | 10 |
| Statement of Cash Basis Assets and Fund Balances – Governmental Funds December 31, 2007..... | 12 |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2007 | 13 |
| Statement of Net Assets – Cash Basis - Proprietary Funds December 31, 2007..... | 14 |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Proprietary Funds For the Year Ended December 31, 2007 | 15 |
| Statement of Fiduciary Net Assets – Cash Basis December 31, 2007..... | 16 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2007 | 17 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Street Construction Maintenance and Repair Fund For the Year Ended December 31, 2007 | 18 |
| Notes to the Basic Financial Statements For the Year Ended December 31, 2007 | 19 |
| Management's Discussion and Analysis For the Year Ended December 31, 2006..... | 27 |
| Statement of Net Assets –Cash Basis December 31, 2006..... | 33 |
| Statement of Activities –Cash Basis For the Year Ended December 31, 2006..... | 34 |
| Statement of Cash Basis Assets and Fund Balances – Governmental Funds December 31, 2006..... | 36 |

VILLAGE OF CATAWBA
CLARK COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006..... | 37 |
| Statement of Net Assets – Cash Basis - Proprietary Funds December 31, 2006..... | 38 |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Proprietary Funds For the Year Ended December 31, 2006..... | 39 |
| Statement of Fiduciary Net Assets – Cash Basis December 31, 2006..... | 40 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006..... | 41 |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual – Budget Basis – Street Construction Maintenance and Repair Fund For the Year Ended December 31, 2006..... | 42 |
| Notes to the Basic Financial Statements For the Year Ended December 31, 2006..... | 43 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 51 |



Mary Taylor, CPA

Auditor of State

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, each major fund, and the aggregate remaining fund information of the Village of Catawba, Clark County, (the Village), as of and for the years ended December 31, 2007 and 2006, 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. 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 cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Catawba, Clark County, as of December 31, 2007 and 2006, and the respective changes in the cash basis financial position and the budgetary comparisons for the General Fund and the Street Construction and Repair Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2008, 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 is not a required part of the basic financial statements but is supplementary information the Governmental 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 15, 2008

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

This discussion and analysis of Village of Catawba's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased \$9,216, or 17.8 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Street Construction Repair and Maintenance Fund, which realized the increase due to minimal expenditures in accumulating funds for a street replacement project.
- The Village's general receipts are primarily income taxes. These receipts represent 47 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2007 changed very little compared to 2006.
- Net assets of the water and sewer operations, the Village's business-type activities, decreased by \$5,669 or 5.6% from the prior year.

Using the Basic Financial Statements

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 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 fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The 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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village of Catawba did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village of Catawba 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the 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 nonfinancial factors as well, such as the Village of Catawba'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 property and income taxes.

In the statement of net assets and the statement of activities, most of the Village of Catawba's basic services are reported here. Intergovernmental revenue and income taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village of Catawba 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 governmental and proprietary.

Governmental Funds - Most of Village of Catawba's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village of Catawba'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 of Catawba's significant governmental funds are presented on the financial statements in separate columns. The Village's major governmental funds are the General Fund and Street Construction, Maintenance and Repair Fund, while the major proprietary funds are the Water Fund and Sewer Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section.

Proprietary Funds – The Village's water and sewer activity is reported in the proprietary funds. Proprietary fund information helps determine whether there are or less financial resources that can be spent to finance water and sewer activity. The Village of Catawba's significant proprietary funds are presented on the financial statements in separate columns. The Village's major proprietary funds are the water fund and the sewer fund.

Fiduciary Fund – The Village's mayor's court activity is presented in the fiduciary fund.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|--------------------------------|-----------------|---------------------------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$60,854 | \$51,638 | \$94,928 | \$100,597 | \$155,782 | \$152,235 |
| Total Assets | <u>60,854</u> | <u>51,638</u> | <u>94,928</u> | <u>100,597</u> | <u>155,782</u> | <u>152,235</u> |
| Restricted for: | | | | | | |
| Other Purposes | 42,606 | 31,147 | | | 42,606 | 31,147 |
| Unrestricted | 18,248 | 20,491 | 94,928 | 100,597 | 113,176 | 121,088 |
| Total Net Assets | <u>\$60,854</u> | <u>\$51,638</u> | <u>94,928</u> | <u>100,597</u> | <u>155,782</u> | <u>152,235</u> |

As mentioned previously, net assets of governmental activities increased \$9,216 or 17.8 percent during 2007. The primary reasons contributing to the increase in cash balances is minimal expenditures from the Street Construction and Maintenance Fund to allow it to increase where street construction projects can take place.

Table 2 reflects the changes in net assets in 2007.

(Table 2)
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|--------------------------------|---------------|---------------------------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Receipts: | | | | | | |
| Program Receipts: | | | | | | |
| Charges for Services and Sales | \$11,998 | \$14,478 | \$117,887 | \$106,777 | \$129,885 | \$121,255 |
| Operating Grants and Contributions | 16,081 | 13,452 | | | 16,081 | 13,452 |
| Total Program Receipts | <u>28,079</u> | <u>27,930</u> | <u>117,887</u> | <u>106,777</u> | <u>145,966</u> | <u>134,707</u> |
| General Receipts: | | | | | | |
| Property and Other Local Taxes | 5,181 | 4,824 | | | 5,181 | 4,824 |
| Income Taxes | 34,901 | 33,660 | | | 34,901 | 33,660 |
| Grants & Entitlements not Restricted | 5,185 | 5,180 | | | 5,185 | 5,180 |
| Interest | 287 | 258 | 593 | 570 | 880 | 828 |
| Miscellaneous | 180 | 998 | 5,330 | 13,870 | 5,510 | 14,868 |
| Total General Receipts | <u>45,734</u> | <u>44,920</u> | <u>5,923</u> | <u>14,440</u> | <u>51,657</u> | <u>59,360</u> |
| Total Receipts | <u>73,813</u> | <u>72,850</u> | <u>123,810</u> | <u>121,217</u> | <u>197,623</u> | <u>194,067</u> |

(Continued)

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|------------------------------------|-------------------|-------------------------------------|-------------------|--------------------|--------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | Disbursements: | | | | | |
| General Government | 46,087 | 43,634 | | | 46,087 | 43,634 |
| Security of Persons and Property | 12,376 | 11,000 | | | 12,376 | 11,000 |
| Leisure Time Activities | 150 | 150 | | | 150 | 150 |
| Transportation | 1,336 | 4,414 | | | 1,336 | 4,414 |
| Other | 4,648 | 7,632 | | | 4,648 | 7,632 |
| Principal Retirement | | | 35,813 | 32,836 | 35,813 | 32,836 |
| Interest and Fiscal Charges | | | 7,730 | 8,780 | 7,730 | 8,780 |
| Water | | | 60,036 | 41,129 | 60,036 | 41,129 |
| Sewer | | | 25,900 | 30,677 | 25,900 | 30,677 |
| Total Disbursements | <u>64,597</u> | <u>66,830</u> | <u>129,479</u> | <u>113,422</u> | <u>194,076</u> | <u>180,252</u> |
| Increase (Decrease) in Net Assets | 9,216 | 6,020 | (5,669) | 7,795 | 3,547 | 13,815 |
| Net Assets, January 1, 2007 & 2006 | <u>51,638</u> | <u>45,618</u> | <u>100,597</u> | <u>92,802</u> | <u>152,235</u> | <u>138,420</u> |
| Net Assets, December 31, 2007 & 2006 | <u>\$60,854</u> | <u>\$51,638</u> | <u>\$94,928</u> | <u>\$100,597</u> | <u>\$155,782</u> | <u>\$152,235</u> |

Program receipts represent 74 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 26 percent of the Village's total receipts, and of this amount, over 10 percent are local taxes. Income tax represents 67.6 percent of general receipts. State entitlements, gym rental, and mayor's court receipts make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the auditor, treasurer, income tax department, police department and the park.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by program receipts and the net cost of services represents the amount provided from general receipts.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

| | Total Cost Of Services 2007 | Net Cost of Services 2007 | Total Cost of Services 2006 | Net Cost of Services 2006 |
|----------------------------------|--|--|--|--|
| General Government | \$46,087 | (\$39,666) | \$43,634 | (\$38,343) |
| Security of Persons and Property | 12,376 | (12,376) | 11,000 | (11,000) |
| Leisure Time Activities | 150 | 5,427 | 150 | 9,037 |
| Transportation | 1,336 | 14,745 | 4,414 | 9,038 |
| Other | 4,648 | (4,648) | 7,632 | (7,632) |
| Total Expenses | \$64,597 | (\$36,518) | \$66,830 | (\$38,900) |

The dependence upon property and income tax receipts is apparent as over 62 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operation of the Village of Catawba is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded. A loan from OWDA was obtained to do a study for water line replacement.

The Village's Funds

Total governmental funds had receipts of \$73,813 and disbursements of \$64,597. The fund balance of the General Fund decreased \$2,243 as the result of increased costs for utilities. The Community Center building was permanently closed at the end of October, 2007. The Village can no longer afford to keep it open.

General Fund Budgeting Highlights

The Village of Catawba's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Village did not amend its General Fund. Actual receipts exceeded budgeted receipts due to increased income tax receipts, gym rental and unbudgeted mayor's court receipts. The difference between final budgeted receipts and actual receipts was \$3,241.

Final disbursements were budgeted at \$74,632 while actual disbursements were \$59,778. The Village kept spending at a bare minimum.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Debt Administration

At December 31, 2007, the Village's outstanding debt was \$211,366.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have no industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. The Community Center has been permanently closed and street construction projects are on hold until we can obtain CDBG funding or resources from other sources.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Marjol Burr, Clerk-Treasurer, Village of Catawba, 115 S. Persimmon St., P.O. Box 25, Catawba, Ohio 43010.

VILLAGE OF CATAWBA
CLARK COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$60,854</u> | <u>\$94,928</u> | <u>\$155,782</u> |
| Net Assets | | | |
| Restricted for: | | | |
| Other Purposes | 42,606 | | \$42,606 |
| Unrestricted | <u>18,248</u> | <u>94,928</u> | <u>\$113,176</u> |
| Total Net Assets | <u>\$60,854</u> | <u>\$94,928</u> | <u>\$155,782</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | Program Cash Receipts | | | |
|----------------------------------|-----------------------|--------------------------------------|--|-------------------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| Security of Persons and Property | \$12,376 | | | |
| Leisure Time Activities | 150 | \$5,577 | | |
| Transportation | 1,336 | | \$16,081 | |
| General Government | 46,087 | 6,421 | | |
| Other | 4,648 | | | |
| Total Governmental Activities | 64,597 | 11,998 | 16,081 | |
| Business Type Activities | | | | |
| Water Operating | 61,936 | 38,522 | | |
| Sewer Operating | 67,543 | 79,365 | | |
| Total Business Type Activities | 129,479 | 117,887 | | |
| Total Primary Government | \$194,076 | \$129,885 | \$16,081 | \$0 |

General Receipts

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Miscellaneous
Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|------------------|
| | | |
| (\$12,376) | | (\$12,376) |
| 5,427 | | 5,427 |
| 14,745 | | 14,745 |
| (39,666) | | (39,666) |
| (4,648) | | (4,648) |
| <u>(36,518)</u> | | <u>(36,518)</u> |
| | (\$23,414) | (23,414) |
| | 11,822 | 11,822 |
| | <u>(11,592)</u> | <u>(11,592)</u> |
| <u>(36,518)</u> | <u>(11,592)</u> | <u>(48,110)</u> |
| | | |
| 5,181 | | 5,181 |
| 34,901 | | 34,901 |
| 5,185 | | 5,185 |
| 287 | 593 | 880 |
| 180 | 5,330 | 5,510 |
| <u>45,734</u> | <u>5,923</u> | <u>51,657</u> |
| 9,216 | (5,669) | 3,547 |
| <u>51,638</u> | <u>100,597</u> | <u>152,235</u> |
| <u>\$60,854</u> | <u>\$94,928</u> | <u>\$155,782</u> |

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

| | <u>General</u> | <u>Street Construction Maintenance and Repair</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|-----------------|---|---|-----------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$18,248 | \$36,586 | \$6,020 | \$60,854 |
| Fund Balances | | | | |
| Unreserved: | | | | |
| Undesignated (Deficit), Reported in: | | | | |
| General Fund | 18,248 | | | 18,248 |
| Special Revenue Funds | | 36,586 | 6,020 | 42,606 |
| Total Fund Balances | <u>\$18,248</u> | <u>\$36,586</u> | <u>\$6,020</u> | <u>\$60,854</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>General</u> | <u>Street Construction Maintenance and Repair</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|----------------------------------|-----------------|---|---|-----------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$5,181 | | | \$5,181 |
| Municipal Income Taxes | 34,901 | | | 34,901 |
| Intergovernmental | 5,185 | \$14,875 | \$1,206 | 21,266 |
| Charges for Services | 5,577 | | | 5,577 |
| Fines, Licenses and Permits | 6,421 | | | 6,421 |
| Earnings on Investments | 90 | 166 | 31 | 287 |
| Miscellaneous | 180 | | | 180 |
| Total Receipts | <u>57,535</u> | <u>15,041</u> | <u>1,237</u> | <u>73,813</u> |
| Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 12,376 | | | 12,376 |
| Leisure Time Activities | 150 | | | 150 |
| Transportation | | 1,336 | | 1,336 |
| General Government | 46,087 | | | 46,087 |
| Other | 1,165 | 2,241 | 1,242 | 4,648 |
| Total Disbursements | <u>59,778</u> | <u>3,577</u> | <u>1,242</u> | <u>64,597</u> |
| Net Change in Fund Balances | (2,243) | 11,464 | (5) | 9,216 |
| Fund Balances Beginning of Year | <u>20,491</u> | <u>25,122</u> | <u>6,025</u> | <u>51,638</u> |
| Fund Balances End of Year | <u>\$18,248</u> | <u>\$36,586</u> | <u>\$6,020</u> | <u>\$60,854</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF CATAWBA
CLARK COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2007

| | <u>Water Operating</u> | <u>Sewer Operating</u> | <u>Total</u> |
|--|----------------------------|----------------------------|-----------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$40,651</u> | <u>\$54,277</u> | <u>\$94,928</u> |
| Net Assets | | | |
| Unrestricted | <u>40,651</u> | <u>54,277</u> | <u>94,928</u> |
| Total Net Assets | <u>\$40,651</u> | <u>\$54,277</u> | <u>\$94,928</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Water Operating</u> | <u>Sewer Operating</u> | <u>Enterprise Total</u> |
|---|----------------------------|----------------------------|-----------------------------|
| Receipts | | | |
| Charges for Services | \$38,522 | \$79,365 | \$117,887 |
| Other Operating Receipts | 5,330 | | 5,330 |
| Total Receipts | <u>43,852</u> | <u>79,365</u> | <u>123,217</u> |
| Disbursements | | | |
| Current: | | | |
| Personal Services | 6,741 | 6,503 | 13,244 |
| Employee Fringe Benefits | 1,237 | 1,294 | 2,531 |
| Contractual Services | 8,185 | 362 | 8,547 |
| Supplies and Materials | 37,494 | 16,741 | 54,235 |
| Capital Outlay | 5,130 | | 5,130 |
| Other | 1,249 | 1,000 | 2,249 |
| Total Disbursements | <u>60,036</u> | <u>25,900</u> | <u>85,936</u> |
| Operating Income (Loss) | (16,184) | 53,465 | 37,281 |
| Non-Operating Receipts (Disbursements) | | | |
| Earnings on Investments | 263 | 330 | 593 |
| Principal Payments | (1,900) | (33,913) | (35,813) |
| Interest and Fiscal Charges | | (7,730) | (7,730) |
| Total Non-Operating Receipts (Disbursements) | (1,637) | (41,313) | (42,950) |
| Total Receipts Over/(Under) Disbursements | (17,821) | 12,152 | (5,669) |
| Fund Balances Beginning of Year | <u>58,472</u> | <u>42,125</u> | <u>100,597</u> |
| Fund Balances End of Year | <u><u>\$40,651</u></u> | <u><u>\$54,277</u></u> | <u><u>\$94,928</u></u> |

See accompanying notes to the basic financial statements.

VILLAGE OF CATAWBA
CLARK COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2007

| | <u>Mayor's Court Fund</u> |
|--|---------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$10</u> |
| Net Assets | |
| 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 CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | (Optional) Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------------|---------------|-----------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Receipts | | | | |
| Municipal Income Taxes | \$31,500 | \$31,500 | \$34,901 | \$3,401 |
| Property and Other Local Taxes | 4,804 | 4,804 | 5,181 | 377 |
| Intergovernmental | 17,480 | 17,480 | 5,185 | (12,295) |
| Charges for Services | | | 5,577 | 5,577 |
| Fines, Licenses and Permits | | | 6,421 | 6,421 |
| Earnings on Investments | 110 | 110 | 90 | (20) |
| Other | 400 | 400 | 180 | (220) |
| Total receipts | <u>54,294</u> | <u>54,294</u> | <u>57,535</u> | <u>3,241</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 54,632 | 54,632 | 46,087 | 8,545 |
| Security of Persons and Property | 15,700 | 15,700 | 12,376 | 3,324 |
| Leisure Time Activities | 300 | 300 | 150 | 150 |
| Other | 4,000 | 4,000 | 1,165 | 2,835 |
| Total Disbursements | <u>74,632</u> | <u>74,632</u> | <u>59,778</u> | <u>14,854</u> |
| Net Change in Fund Balance | (20,338) | (20,338) | (2,243) | 18,095 |
| Fund Balance Beginning of Year | <u>20,491</u> | <u>20,491</u> | <u>20,491</u> | |
| Fund Balance End of Year | <u>\$153</u> | <u>\$153</u> | <u>\$18,248</u> | <u>\$18,095</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|--------------------------------|-------------------------|---------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts | | | | |
| Intergovernmental | \$12,030 | \$12,030 | \$14,875 | \$2,845 |
| Earnings on Investments | 100 | 100 | 166 | 66 |
| Total receipts | <u>12,130</u> | <u>12,130</u> | <u>15,041</u> | <u>2,911</u> |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 31,814 | 31,814 | 1,336 | 30,478 |
| Other | 5,200 | 5,200 | 2,241 | 2,959 |
| Total Disbursements | <u>37,014</u> | <u>37,014</u> | <u>3,577</u> | <u>30,478</u> |
| Net Change in Fund Balance | (24,884) | (24,884) | 11,464 | (13,420) |
| Fund Balance Beginning of Year | <u>25,122</u> | <u>25,122</u> | <u>25,122</u> | |
| Fund Balance End of Year | <u><u>\$238</u></u> | <u><u>\$238</u></u> | <u><u>\$36,586</u></u> | <u><u>(\$13,420)</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. REPORTING ENTITY

The Village of Catawba, Clark County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Mayor is elected to a four year term, serves as President of Council and votes only to break a tie. 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.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, and police services.

B. Component Units

The Village does not have any component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type 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 Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support 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 or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into 3 categories: governmental, proprietary and fiduciary.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund and Street Construction, Maintenance and Repair Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Maintenance and Repair Fund is used to facilitate the construction and repair of Village roads.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund – The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village during the year. The Clark County Budget Commission also approves the Annual Appropriation.

E. Cash and Investments

During 2007 the Village did not have any investments. Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$90.

F. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described later, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and Street Construction Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances and are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

4. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories:

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At year end, the Village did not have any cash to be deposited on hand.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$2 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

| | |
|----------------------------|--------------------|
| Real Property: | |
| Residential/Agricultural | \$3,107,000 |
| Commercial/Industrial | 99,280 |
| Tangible Personal Property | |
| Business | 22,830 |
| Public Utility | 81,370 |
| Total Assessed Value | <u>\$3,310,480</u> |

6. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior to notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005. (the latest information available)

| | 2006 | 2005 |
|---------------------|-------------|---------------|
| Assets | \$2,331,284 | \$2,241,661 |
| Liabilities | (3,130,476) | (3,457,720) |
| Accumulated deficit | (\$799,191) | (\$1,216,059) |

7. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

8. DEFINED BENEFIT PENSION PLAN

A. 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 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 percent per year). Under the member directed plan, members 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 in writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 OR (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for benefit obligations to the traditional and combined plans are current to date.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

9. POST-EMPLOYMENT BENEFITS

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 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll from January 1, 2007 through June 30, 2007 and 6.00 percent of covered payroll from July 1, 2007 through December 31, 2007 was the portion that was used to fund health care.

10. DEBT

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

| Business-Type Activities | Interest Rate | Balance December 31, 2006 | Additions | Reductions | Balance December 31, 2007 | Due Within One Year |
|-------------------------------------|--------------------------|--|------------------|-------------------|--|--------------------------------|
| 1988 OWDA Loan | 2.00% | \$157,975 | | \$25,042 | \$132,933 | \$25,543 |
| 1988 OWDA Loan | 7.36% | 50,382 | | 6,980 | 43,402 | 7,494 |
| 1990 OWDA Loan | 7.36% | 7,532 | | 1,044 | 6,488 | 1,120 |
| 2004 OWDA Loan | 4.28% | 12,290 | | 847 | 11,443 | 884 |
| 2007 OWDA Loan | 0% | | \$19,000 | 1,900 | 17,100 | 1,900 |
| Totals | | \$228,179 | \$19,000 | \$35,813 | \$211,366 | \$36,941 |

The first four Ohio Water Development Authority (OWDA) loans relate to a sewer system project that was mandated by the Ohio Environmental Protection Agency. The newest OWDA loan relates to a study of water lines. The loans will be repaid in semiannual installments. The loans are secured by sewer and water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The following is a summary of the Village's future annual debt service requirements:

| Year | OWDA Loans | |
|---------------|-------------------|-----------------|
| | Principal | Interest |
| 2008 | \$36,941 | \$6,642 |
| 2009 | 38,124 | 5,479 |
| 2010 | 39,365 | 4,271 |
| 2011 | 40,669 | 3,003 |
| 2012 | 42,043 | 1,668 |
| 2013 – 2017 | 13,556 | 866 |
| 2018 | 668 | 14 |
| Totals | \$211,363 | \$21,943 |

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Village of Catawba's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$6,020, or 13.2 percent, a small change from the prior year. Street replacement was delayed, so more funds would be available to complete the project next year. The fund most affected by the increase in cash and cash equivalents was the Street Construction, Maintenance and Repair Fund.
- The Village of Catawba's general receipts are primarily income taxes. These receipts represent 46.2 percent of the total cash received for governmental activities during the year. Income tax receipts for 2006 increased by \$3,420 compared to 2005 as more working families have moved into the village. The major change in costs was the increase in fuel costs to heat the building.

Using the Basic Financial Statements

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 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 fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The 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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village of Catawba did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village of Catawba 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village of Catawba's cash position and the changes in cash position. Keeping in mind the limitations of the 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 of Catawba'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 property and income taxes.

In the statement of net assets and the statement of activities, most of the Village of Catawba's basic services are reported here. Intergovernmental revenue and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village of Catawba 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 governmental, proprietary, and fiduciary.

Governmental Funds - Most of Village of Catawba's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village of Catawba'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 of Catawba's significant governmental funds are presented on the financial statements in separate columns. The Village's major governmental funds are the General Fund, Street Construction and Maintenance Fund, while the major proprietary funds are the Water Fund and Sewer Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section.

Proprietary Funds – The Village's water and sewer activity is reported in the proprietary funds. Proprietary fund information helps determine whether there are or less financial resources that can be spent to finance water and sewer activity. The Village of Catawba's significant proprietary funds are presented on the financial statements in separate columns. The Village's major proprietary funds are the water fund and the sewer fund.

Fiduciary Fund – The Village's mayor's court activity is presented in the fiduciary fund.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis.

(Table 1)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|-------------------------|----------|--------------------------|----------|-----------|-----------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$51,638 | \$45,618 | \$100,597 | \$92,802 | \$152,235 | \$138,420 |
| Total Assets | 51,638 | 45,618 | 100,597 | 92,802 | 152,235 | 138,420 |
| Restricted for: | | | | | | |
| Other Purposes | 31,147 | 27,607 | | | 31,147 | 27,607 |
| Unrestricted | 20,491 | 18,011 | 100,597 | 92,802 | 121,088 | 110,813 |
| Total Net Assets | \$51,638 | \$45,618 | \$100,597 | \$92,802 | \$152,235 | \$138,420 |

As mentioned previously, net assets of governmental activities increased \$6,020 or 13.2 percent during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- The Village has postponed the reconstruction of two streets until more funding is available in the Street Construction and Maintenance Fund or until outside funding is found for the project.

Table 2 reflects the changes in net assets in 2006.

(Table 2)
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|----------|--------------------------|-----------|-----------|-----------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Receipts: | | | | | | |
| Program Receipts: | | | | | | |
| Charges for Services and Sales | \$14,478 | \$17,332 | \$106,777 | \$107,273 | \$121,255 | \$124,605 |
| Operating Grants and Contributions | 13,452 | 11,940 | | | 13,452 | 11,940 |
| Total Program Receipts | 27,930 | 29,272 | 106,777 | 107,273 | 134,707 | 136,545 |
| General Receipts: | | | | | | |
| Property and Other Local Taxes | 4,824 | 7,373 | | | 4,824 | 7,373 |
| Income Taxes | 33,660 | 30,241 | | | 33,660 | 30,241 |
| Grants & Entitlements not Restricted | 5,180 | 5,206 | | | 5,180 | 5,206 |
| Interest | 258 | 211 | 570 | 435 | 828 | 646 |
| Miscellaneous | 998 | 8 | 13,870 | 4 | 14,868 | 12 |
| Total General Receipts | 44,920 | 43,039 | 14,440 | 439 | 59,360 | 43,478 |
| Total Receipts | 72,850 | 72,311 | 121,217 | 107,712 | 194,067 | 180,023 |

(Continued)

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|------------------------------------|-----------------|-------------------------------------|-----------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Disbursements: | | | | | | |
| General Government | 43,634 | 45,304 | | | 43,634 | 45,304 |
| Security of Persons and Property | 11,000 | 9,532 | | | 11,000 | 9,532 |
| Public Health Services | | 2,696 | | | | 2,696 |
| Leisure Time Activities | 150 | 300 | | | 150 | 300 |
| Transportation | 4,414 | 1,425 | | | 4,414 | 1,425 |
| Other | 7,632 | 5,099 | | | 7,632 | 5,099 |
| Principal Retirement | | | 32,836 | 31,809 | 32,836 | 31,809 |
| Interest and Fiscal Charges | | | 8,780 | 9,782 | 8,780 | 9,782 |
| Water | | | 41,129 | 28,255 | 41,129 | 28,255 |
| Sewer | | | 30,677 | 20,315 | 30,677 | 20,315 |
| Total Disbursements | <u>66,830</u> | <u>64,356</u> | <u>113,422</u> | <u>90,161</u> | <u>180,252</u> | <u>154,517</u> |
| Increase (Decrease) in Net Assets | 6,020 | 7,955 | 7,795 | 17,551 | 13,815 | 25,506 |
| Net Assets, January 1, 2006 and 2005 | <u>45,618</u> | <u>37,663</u> | <u>92,802</u> | <u>75,251</u> | <u>138,420</u> | <u>112,914</u> |
| Net Assets, December 31, 2006 and 2005 | <u>\$51,638</u> | <u>\$45,618</u> | <u>\$100,597</u> | <u>\$92,802</u> | <u>\$152,235</u> | <u>\$138,420</u> |

Program receipts represent 69.4 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 30.6 percent of the Village of Catawba's total receipts, and of this amount, over 8 percent are local taxes. Income tax represents 56.7 percent of general receipts. State entitlements, gym rental, and mayor's court receipts make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the auditor, treasurer, income tax department, police department and the park.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

(Table 3)

| Governmental Activities | | | | |
|----------------------------------|--|--|--|--|
| | Total Cost Of Services 2006 | Net Cost of Services 2006 | Total Cost of Services 2005 | Net Cost of Services 2005 |
| General Government | \$43,634 | (\$38,343) | \$45,304 | (\$35,176) |
| Security of Persons and Property | 11,000 | (11,000) | 9,532 | (9,532) |
| Public Health Services | | | 2,696 | (2,696) |
| Leisure Time Activities | 150 | 9,037 | 300 | 6,904 |
| Transportation | 4,414 | 9,038 | 1,425 | 10,515 |
| Other | 7,632 | (7,632) | 5,099 | (5,099) |
| Total Expenses | \$66,830 | (\$38,900) | \$64,356 | (\$35,084) |

The dependence upon property and income tax receipts is apparent as over 57 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water operation of the Village of Catawba is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded. A loan from OWDA was obtained to do a study for water line replacement.

The Government's Funds

Total governmental funds had receipts of \$72,850 and disbursements of \$66,830. General Fund receipts were more than disbursements by only \$2,480. Knowing the price of fuel oil is going to increase over the next year, it is a great possibility that the building will have to be closed for Community Center activities.

General Fund Budgeting Highlights

The Village of Catawba's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Village did not amend its General Fund. Actual receipts exceeded budgeted receipts due to increased income tax receipts, gym rental and unbudgeted mayor's court receipts. The difference between final budgeted receipts and actual receipts was \$6,861.

Final disbursements were budgeted at \$69,703 while actual disbursements were \$56,760. The Village kept spending at a bare minimum.

Debt Administration

At December 31, 2006, the Village's outstanding debt was \$228,179.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. The Community Center will have to be closed before the end of 2007 due to decreased gym rental and soaring utility costs.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Marjol Burr, Clerk-Treasurer, Village of Catawba, 115 S. Persimmon St., P.O. Box 25, Catawba, Ohio 43010.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$51,638 | \$100,597 | \$152,235 |
| Net Assets | | | |
| Restricted for: | | | |
| Other Purposes | 31,147 | | 31,147 |
| Unrestricted | 20,491 | 100,597 | 121,088 |
| Total Net Assets | <u>\$51,638</u> | <u>\$100,597</u> | <u>\$152,235</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Program Cash Receipts | | | |
|----------------------------------|-----------------------|--------------------------------------|--|-------------------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| Security of Persons and Property | \$11,000 | | | |
| Leisure Time Activities | 150 | \$9,187 | | |
| Transportation | 4,414 | | \$13,452 | |
| General Government | 43,634 | 5,291 | | |
| Other | 7,632 | | | |
| Total Governmental Activities | 66,830 | 14,478 | 13,452 | |
| Business Type Activities | | | | |
| Water Operating | 41,129 | 33,436 | | |
| Sewer Operating | 72,293 | 73,341 | | |
| Total Business Type Activities | 113,422 | 106,777 | | |
| Total Primary Government | \$180,252 | \$121,255 | \$13,452 | \$0 |

General Receipts

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Miscellaneous
Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|------------------|
| (\$11,000) | | (\$11,000) |
| 9,037 | | 9,037 |
| 9,038 | | 9,038 |
| (38,343) | | (38,343) |
| <u>(7,632)</u> | | <u>(7,632)</u> |
| (38,900) | | (38,900) |
| | (\$7,693) | (7,693) |
| | 1,048 | 1,048 |
| | <u>(6,645)</u> | <u>(6,645)</u> |
| (38,900) | (6,645) | (45,545) |
| 4,824 | | 4,824 |
| 33,660 | | 33,660 |
| 5,180 | | 5,180 |
| 258 | 570 | 828 |
| 998 | 13,870 | 14,868 |
| <u>44,920</u> | <u>14,440</u> | <u>59,360</u> |
| 6,020 | 7,795 | 13,815 |
| <u>45,618</u> | <u>92,802</u> | <u>138,420</u> |
| <u>\$51,638</u> | <u>\$100,597</u> | <u>\$152,235</u> |

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

| | <u>General</u> | <u>Street Construction Maintenance and Repair</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|-----------------|---|---|-----------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$20,491 | \$25,122 | \$6,025 | \$51,638 |
| Fund Balances | | | | |
| Unreserved: | | | | |
| Undesignated (Deficit), Reported in: | | | | |
| General Fund | 20,491 | | | 20,491 |
| Special Revenue Funds | | 25,122 | 6,025 | 31,147 |
| Total Fund Balances | <u>\$20,491</u> | <u>\$25,122</u> | <u>\$6,025</u> | <u>\$51,638</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>General</u> | <u>Street Construction Maintenance and Repair</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|----------------------------------|-----------------|---|---|-----------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$4,824 | | | \$4,824 |
| Municipal Income Taxes | 33,660 | | | 33,660 |
| Intergovernmental | 5,180 | \$12,443 | \$1,009 | 18,632 |
| Charges for Services | 9,187 | | | 9,187 |
| Fines, Licenses and Permits | 5,291 | | | 5,291 |
| Earnings on Investments | 100 | 125 | 33 | 258 |
| Miscellaneous | 998 | | | 998 |
| Total Receipts | <u>59,240</u> | <u>12,568</u> | <u>1,042</u> | <u>72,850</u> |
| Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 11,000 | | | 11,000 |
| Leisure Time Activities | 150 | | | 150 |
| Transportation | | 4,052 | 362 | 4,414 |
| General Government | 43,634 | | | 43,634 |
| Other | 1,976 | 4,241 | 1,415 | 7,632 |
| Total Disbursements | <u>56,760</u> | <u>8,293</u> | <u>1,777</u> | <u>66,830</u> |
| Net Change in Fund Balances | 2,480 | 4,275 | (735) | 6,020 |
| Fund Balances Beginning of Year | <u>18,011</u> | <u>20,847</u> | <u>6,760</u> | <u>45,618</u> |
| Fund Balances End of Year | <u>\$20,491</u> | <u>\$25,122</u> | <u>\$6,025</u> | <u>\$51,638</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2006**

| | Water Operating | Sewer Operating | Total |
|--|----------------------------|----------------------------|--------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$58,472 | \$42,125 | \$100,597 |
| Net Assets | | | |
| Unrestricted | 58,472 | 42,125 | 100,597 |
| Total Net Assets | \$58,472 | \$42,125 | \$100,597 |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Water Operating</u> | <u>Sewer Operating</u> | <u>Enterprise Total</u> |
|---|----------------------------|----------------------------|-----------------------------|
| Receipts | | | |
| Charges for Services | \$33,436 | \$73,341 | \$106,777 |
| Other Operating Receipts | 13,870 | | 13,870 |
| Total Receipts | <u>47,306</u> | <u>73,341</u> | <u>120,647</u> |
| Disbursements | | | |
| Current: | | | |
| Personal Services | 6,665 | 6,308 | 12,973 |
| Employee Fringe Benefits | 1,216 | 1,245 | 2,461 |
| Contractual Services | 8,773 | | 8,773 |
| Supplies and Materials | 8,623 | 21,145 | 29,768 |
| Capital Outlay | 13,870 | 0 | 13,870 |
| Other | 1,982 | 1,979 | 3,961 |
| Total Disbursements | <u>41,129</u> | <u>30,677</u> | <u>71,806</u> |
| Operating Income | 6,177 | 42,664 | 48,841 |
| Non-Operating Receipts (Disbursements) | | | |
| Earnings on Investments | 303 | 267 | 570 |
| Principal Payments | | (32,836) | (32,836) |
| Interest and Fiscal Charges | | (8,780) | (8,780) |
| Total Non-Operating Receipts (Disbursements) | <u>303</u> | <u>(41,349)</u> | <u>(41,046)</u> |
| Total Receipts Over Disbursements | 6,480 | 1,315 | 7,795 |
| Fund Balances Beginning of Year | <u>51,992</u> | <u>40,810</u> | <u>92,802</u> |
| Fund Balances End of Year | <u>\$58,472</u> | <u>\$42,125</u> | <u>\$100,597</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF CATAWBA
CLARK COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2006

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

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------------|---------------|-----------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u></u> |
| Receipts | | | | |
| Municipal Income Taxes | \$31,500 | \$31,500 | \$33,660 | \$2,160 |
| Property and Other Local Taxes | 4,328 | 4,328 | 4,824 | 496 |
| Intergovernmental | 15,783 | 15,783 | 5,180 | (10,603) |
| Charges for Services | | | 9,187 | 9,187 |
| Fines, Licenses and Permits | | | 5,291 | 5,291 |
| Earnings on Investments | 110 | 110 | 100 | (10) |
| Other | 658 | 658 | 998 | 340 |
| Total Receipts | <u>52,379</u> | <u>52,379</u> | <u>59,240</u> | <u>6,861</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 56,094 | 54,744 | 43,634 | 11,110 |
| Security of Persons and Property | 11,309 | 12,659 | 11,000 | 1,659 |
| Leisure Time Activities | 300 | 300 | 150 | 150 |
| Other | 2,000 | 2,000 | 1,976 | 24 |
| Total Disbursements | <u>69,703</u> | <u>69,703</u> | <u>56,760</u> | <u>12,943</u> |
| Net Change in Fund Balance | (17,324) | (17,324) | 2,480 | 19,804 |
| Fund Balance Beginning of Year | <u>18,011</u> | <u>18,011</u> | <u>18,011</u> | <u></u> |
| Fund Balance End of Year | <u>\$687</u> | <u>\$687</u> | <u>\$20,491</u> | <u>\$19,804</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Budgeted Amounts</u> | | | (Optional) Variance with Final Budget Positive (Negative) |
|--------------------------------|-------------------------|---------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>(Negative)</u> |
| Receipts | | | | |
| Intergovernmental | \$9,400 | \$9,400 | \$12,443 | \$3,043 |
| Earnings on Investments | 50 | 50 | 125 | 75 |
| Total receipts | <u>9,450</u> | <u>9,450</u> | <u>12,568</u> | <u>3,118</u> |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 25,024 | 25,024 | 4,052 | 20,972 |
| Other | 5,000 | 5,000 | 4,241 | 759 |
| Total Disbursements | <u>30,024</u> | <u>30,024</u> | <u>8,293</u> | <u>21,731</u> |
| Net Change in Fund Balance | (20,574) | (20,574) | 4,275 | 24,849 |
| Fund Balance Beginning of Year | <u>20,847</u> | <u>20,847</u> | <u>20,847</u> | <u> </u> |
| Fund Balance End of Year | <u><u>\$273</u></u> | <u><u>\$273</u></u> | <u><u>\$25,122</u></u> | <u><u>\$24,849</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. REPORTING ENTITY

The Village of Catawba, Clark County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Mayor is elected to a four year term, serves as President of Council and votes only to break a tie. 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.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, and police services.

B. Component Units

The Village does not have any component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type 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 Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support 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 or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into 3 categories: governmental, proprietary and fiduciary.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund and Street Construction, Maintenance and Repair Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction, Maintenance and Repair Fund is used to facilitate the construction and repair of Village roads.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund – The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village during the year. The Clark County Budget Commission also approves the Annual Appropriation.

E. Cash and Investments

During 2006 the Village did not have any investments. Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$100.

F. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described later, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and Street Construction, Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances and are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

Monies held by the Village are classified by State statute into three categories:

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At year end, the Village did not have any cash to be deposited on hand.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$2 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

| | |
|-----------------------------------|--------------------|
| Real Property | |
| Residential/Agricultural | \$2,853,090 |
| Commercial/Industrial | 84,230 |
| Tangible Personal Property | |
| Business | 1,730 |
| Public Utility | 97,600 |
| Total Assessed Value | <u>\$3,036,650</u> |

6. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claim that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Member may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 2006 and 2005.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

| | <u>2006</u> | <u>2005</u> |
|---------------------|--------------------|----------------------|
| Assets | \$2,331,284 | \$2,241,661 |
| Liabilities | <u>(3,130,475)</u> | <u>(3,457,720)</u> |
| Accumulated deficit | <u>(\$799,191)</u> | <u>(\$1,216,059)</u> |

7. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

8. DEFINED BENEFIT PENSION PLAN

A. 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 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 percent per year). Under the member directed plan, members 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 in writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 OR (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for benefit obligations to the traditional and combined plans are current to date.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

9. POST-EMPLOYMENT BENEFITS

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 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

10. DEBT

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

| <u>Business-Type Activities</u> | <u>Interest Rate</u> | <u>Balance December 31, 2006</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance December 31, 2007</u> | <u>Due Within One Year</u> |
|-------------------------------------|--------------------------|--|------------------|-------------------|--|--------------------------------|
| 1988 OWDA Loan | 2.00% | \$182,525 | | \$24,550 | \$157,975 | \$25,042 |
| 1988 OWDA Loan | 7.36% | 56,883 | | 6,501 | 50,382 | 6,980 |
| 1990 OWDA Loan | 2.00% | 8,504 | | 972 | 7,532 | 1,044 |
| 2004 OWDA Loan | 4.28% | 13,103 | | 813 | 12,290 | 847 |
| Totals | | <u>\$261,015</u> | <u>\$0</u> | <u>\$32,836</u> | <u>\$228,179</u> | <u>\$33,913</u> |

The four Ohio Water Development Authority (OWDA) loans relate to a sewer system project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments. The loans are secured by sewer and water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The following is a summary of the Village's future annual debt service requirements:

| <u>Year</u> | <u>OWDA Loans</u> | |
|-------------|-------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2007 | \$33,913 | \$7,730 |
| 2008 | 35,041 | 6,642 |
| 2009 | 36,224 | 5,479 |
| 2010 | 37,465 | 4,271 |
| 2011 | 38,769 | 3,003 |
| 2012 – 2016 | 44,805 | 2,464 |
| 2017 – 2018 | 1,962 | 84 |
| Totals | <u>\$228,179</u> | <u>\$29,673</u> |



Mary Taylor, CPA

Auditor of State

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 governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Catawba, Clark County, (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 15, 2008, wherein, we noted the Village used a comprehensive basis of accounting other than generally accepted accounting principles. We also noted 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. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

We did note a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated September 15, 2008.

We intend this report solely for the information and use of the management and the members of the Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 15, 2008



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 6, 2008**