



Dave Yost • Auditor of State

VILLAGE OF CATAWBA
CLARK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Catawba
Clark County
15 South Persimmon Street
Catawba, Ohio 43010

To the Mayor and the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Catawba, Clark County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Catawba, Clark County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 14, 2014

**VILLAGE OF CATAWBA
CLARK COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$4,547		\$4,547
Municipal Income Tax	42,820		42,820
Intergovernmental	3,244	\$16,768	20,012
Fines, Licenses and Permits	15,668		15,668
Miscellaneous	3,241		3,241
<i>Total Cash Receipts</i>	<u>69,520</u>	<u>16,768</u>	<u>86,288</u>
Cash Disbursements			
Current:			
Security of Persons and Property	22,222		22,222
Leisure Time Activities	200		200
Transportation		1,910	1,910
General Government	29,055		29,055
Capital Outlay	4,752		4,752
<i>Total Cash Disbursements</i>	<u>56,229</u>	<u>1,910</u>	<u>58,139</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,291</u>	<u>14,858</u>	<u>28,149</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(1,574)	(5,215)	(6,789)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,574)</u>	<u>(5,215)</u>	<u>(6,789)</u>
<i>Net Change in Fund Cash Balances</i>	11,717	9,643	21,360
<i>Fund Cash Balances, January 1</i>	<u>59,882</u>	<u>43,670</u>	<u>103,552</u>
Fund Cash Balances, December 31			
Restricted		53,313	53,313
Unassigned (Deficit)	71,599		71,599
<i>Fund Cash Balances, December 31</i>	<u>\$71,599</u>	<u>\$53,313</u>	<u>\$124,912</u>

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

**VILLAGE OF CATAWBA
CLARK COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$117,995		\$117,995
Fines, Licenses and Permits		\$17,360	17,360
<i>Total Operating Cash Receipts</i>	<u>117,995</u>	<u>17,360</u>	<u>135,355</u>
Operating Cash Disbursements			
Personal Services	14,890		14,890
Fringe Benefits	1,800		1,800
Contractual Services	7,402		7,402
Other (Court Distributions)		17,360	17,360
Supplies and Materials	19,408		19,408
<i>Total Operating Cash Disbursements</i>	<u>43,500</u>	<u>17,360</u>	<u>60,860</u>
<i>Operating Income (Loss)</i>	<u>74,495</u>	<u>-</u>	<u>74,495</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(540)		(540)
Interest and Other Fiscal Charges	(142)		(142)
Other Financing Sources	2,796		2,796
Other Financing Uses	(1,404)		(1,404)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>710</u>	<u>-</u>	<u>710</u>
<i>Net Change in Fund Cash Balances</i>	75,205	-	75,205
<i>Fund Cash Balances, January 1</i>	<u>122,308</u>	<u>10</u>	<u>122,318</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$197,513</u></u>	<u><u>\$10</u></u>	<u><u>\$197,523</u></u>

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

**VILLAGE OF CATAWBA
CLARK COUNTY, OHIO**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$4,445		\$4,445
Municipal Income Tax	41,542		41,542
Intergovernmental	4,135	\$17,571	21,706
Fines, Licenses and Permits	17,636		17,636
Earnings on Investments	3	2	5
Miscellaneous	150		150
<i>Total Cash Receipts</i>	<u>67,911</u>	<u>17,573</u>	<u>85,484</u>
Cash Disbursements			
Current:			
Security of Persons and Property	23,474		23,474
Leisure Time Activities	150		150
Transportation		2,660	2,660
General Government	32,003		32,003
<i>Total Cash Disbursements</i>	<u>55,627</u>	<u>2,660</u>	<u>58,287</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,284</u>	<u>14,913</u>	<u>27,197</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(2,025)	(4,478)	(6,503)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,025)</u>	<u>(4,478)</u>	<u>(6,503)</u>
<i>Net Change in Fund Cash Balances</i>	10,259	10,435	20,694
<i>Fund Cash Balances, January 1</i>	<u>49,623</u>	<u>33,235</u>	<u>82,858</u>
Fund Cash Balances, December 31			
Restricted		43,670	43,670
Assigned	48,196		48,196
Unassigned (Deficit)	11,686		11,686
<i>Fund Cash Balances, December 31</i>	<u>\$59,882</u>	<u>\$43,670</u>	<u>\$103,552</u>

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

**VILLAGE OF CATAWBA
CLARK COUNTY, OHIO**

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$103,307		\$103,307
Fines, Licenses and Permits		\$21,822	21,822
Miscellaneous	1,623		1,623
<i>Total Operating Cash Receipts</i>	<u>104,930</u>	<u>21,822</u>	<u>126,752</u>
Operating Cash Disbursements			
Personal Services	15,192		15,192
Fringe Benefits	2,753		2,753
Contractual Services	9,104		9,104
Other (Court Distributions)		21,822	21,822
Supplies and Materials	25,808		25,808
<i>Total Operating Cash Disbursements</i>	<u>52,857</u>	<u>21,822</u>	<u>74,679</u>
<i>Operating Income (Loss)</i>	<u>52,073</u>	<u>-</u>	<u>52,073</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	5		5
Principal Retirement	(42,043)		(42,043)
Interest and Other Fiscal Charges	(1,877)		(1,877)
Other Financing Sources	576		576
Other Financing Uses	(764)		(764)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(44,103)</u>	<u>-</u>	<u>(44,103)</u>
<i>Net Change in Fund Cash Balances</i>	7,970	-	7,970
<i>Fund Cash Balances, January 1</i>	<u>114,338</u>	<u>10</u>	<u>114,348</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$122,308</u></u>	<u><u>\$10</u></u>	<u><u>\$122,318</u></u>

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

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Catawba, Clark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Pleasant Township Fire Department to receive fire protection services.

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool which is a public entity risk pool. See Note 8 to the financial statements for additional information regarding this organization.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. Enterprise Funds

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

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

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

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the mayor's court activity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

VILLAGE OF CATAWBA
CLARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

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

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. **Fund Balance**

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits and Investments

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

	2013	2012
Demand deposits	\$322,435	\$225,870
Total deposits	\$322,435	\$225,870

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,976	\$69,520	\$23,544
Special Revenue	16,544	16,768	224
Enterprise	116,100	120,791	4,691
Total	\$178,620	\$207,079	\$28,459

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,172	\$57,803	\$36,369
Special Revenue	57,144	7,125	50,019
Enterprise	160,536	45,586	114,950
Total	\$311,852	\$110,514	\$201,338

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,580	\$67,911	\$27,331
Special Revenue	16,576	17,573	997
Enterprise	100,600	105,511	4,911
Total	\$157,756	\$190,995	\$33,239

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,047	\$57,652	\$29,395
Special Revenue	46,894	7,138	39,756
Enterprise	195,635	97,541	98,094
Total	\$329,576	\$162,331	\$167,245

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

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

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

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4417	\$7,600	0.00%
Ohio Water Development Authority Loan #3893	\$6,083	4.28%
Total	\$13,683	

The Ohio Water Development Authority (OWDA) loan #4417 relates to a water feasibility study for improvements to the drinking water system. The OWDA awarded a \$19,000 loan to the Village for this project in 2006. The Village will repay the loan in semi-annual installments of \$1,900, interest free, over ten years, beginning in 2008.

The OWDA loan #3893 relates to wastewater system improvements. The OWDA awarded a \$14,988 loan to the Village for this project in 2004. The Village will repay the loan in semi-annual installments of \$682, including interest, over fifteen years, beginning in 2004.

The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

	OWDA Loan #4417	OWDA Loan #3893
Year ending December 31:		
2014	\$2,067	\$1,364
2015	2,025	1,364
2016	1,984	1,364
2017	1,942	1,364
2018	1,364	1,364
Total	\$8,018	\$6,820

7. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF CATAWBA
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management

Risk Pool Membership

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 Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$833,561	\$1,097,683
Liabilities	<u>(782,525)</u>	<u>(791,222)</u>
Accumulated Surplus	<u>\$51,036</u>	<u>\$306,461</u>

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Dave Yost • Auditor of State

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

Village of Catawba
Clark County
15 South Persimmon Street
Catawba, Ohio 43010

To the Mayor and the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Catawba, Clark County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 14, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider findings 2013-002 and 2013-003 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

November 14, 2014

VILLAGE OF CATAWBA
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE

Ohio Rev. Code § 102.03(D) states no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. **Ohio Rev. Code § 102.03 (E)** states that no public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

During the June 4, 2013 meeting, the Village Council voted to appoint Amanda Herron to the position of Fiscal Officer upon the retirement of the outgoing fiscal officer. Council members Roberts, Marx, Warner and Cordell voted to hire Amanda Herron. On July 5, 2013, Amanda Herron married Councilman Matthew Warner.

Councilman Warner had a personal interest in hiring of the Fiscal Officer and should have abstained from the hiring process.

The Village should develop and implement conflict of interest policies. Council should be made aware of any potential conflicts and council members with conflict should abstain from voting on issues they have conflict with. Failure to do so could result in appearance of personal interest being promoted before the Village's interest.

The matter has been referred to the Ohio Ethics Commission.

Official's Response: Mr. Warner has previously stated that since he was not married to Amanda Herron at the time of that vote to appoint, that he was following the letter of the law, thus no violation. Regardless, since that time, Mr. Warner has abstained from any vote that involved matters regarding the employment of Amanda Warner.

<i>Finding Number</i>	2013-002
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code § 733.28 requires that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments.

The Village's Clerk did not keep accurate financial records from July 2013 through December 2013. Receipts were not deposited or recorded in the accounting system, expenditures were not issued for bills, and monthly bank reconciliations were not performed. The Village did not deposit or record two checks received from the Clark County Auditor in December 2013 totaling \$235. Further, the Council did not receive financial reports showing receipts, disbursements, budgeted versus actual activity, etc. from the Clerk during this time period.

**FINDING NUMBER 2013-002
(Continued)**

Management should establish a risk assessment process to identify internal and external events and circumstances that may occur and adversely affect an entity's ability to record, process, summarize and report financial data consistent with management's financial statement assertions. Risk assessment differs from monitoring controls. Monitoring controls primarily address the continued effective operation of application controls. Risk assessment includes:

- Identifying unusual events or transactions, or changes in laws or accounting principles or other financial reporting requirements.
- Analyzing how these events or transactions affect financial reporting
- If the event or transaction will be recurring, determining modifications to the accounting systems or control activities to help assure properly including and reporting these matters in the financial statements.

The Village did not maintain accurate financial records or prepare monthly reconciliations from July 2013 through December 2013. The Village had to hire a traveling clerk to reconcile its books with the bank and record transactions in the Village's accounting system. The Village did not have a risk assessment process working effectively that could have identified the problems in processing and reporting of financial information.

The Village should establish an effective risk assessment process that is capable of identifying events or transactions that might adversely affect the Village's ability to record, process, summarize and report financial data consistent with the management's financial statement assertions.. The bank account reconciliation is a basic control to provide accuracy and completeness of the Village's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen. Additionally, independent detailed reviews should be performed of receipts, expenditures, and reconciliations as means of providing for their accuracy.

Official's Response: The village has placed a lot of trust in the person performing the Fiscal Officer duties, thus leaving the village vulnerable to a failure of that officer to perform those duties, as happened in late 2013. After consulting with our attorney in spring 2014, the village moved the fiscal officer's workspace into village office building. This action, along with others to be determined, will help the village government better monitor the activities of the Fiscal Officer.

<i>Finding Number</i>	2013-003
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SIGNIFICANT DEFICIENCY

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, reconciliations provide the entity with a picture of its financial position at month end.

The Village did not perform bank to book reconciliations over the Mayor's Court bank account during the audit period.

The Village should implement procedures to verify that monthly reconciliations between the bank balances to books are performed over all accounts, including the Mayor's Court account. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going undetected.

Official's Response: The Mayor's Court Clerk has been using the same process for many years, a process which has passed prior audits. Now that the process has been pointed out as inadequate, she will upgrade her process.

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Dave Yost • 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
DECEMBER 23, 2014**