



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF BATAVIA
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2000	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Batavia
Clermont County
389 East Main Street
Batavia, Ohio 45103

To the Village Council:

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 17, 2002

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$50,783	\$102,945	\$25,141		\$618,944	\$797,813
Special Assessments				1,721		1,721
Intergovernmental Receipts	150,325	123,159	3,036	211,428		487,948
Charges for Services	7,382					7,382
Fines, Licenses, and Permits	36,417	400				36,817
Earnings on Investments	18,135	3,687				21,822
Miscellaneous	5,108	2,130				7,238
Total Cash Receipts	268,150	232,321	28,177	213,149	618,944	1,360,741
Cash Disbursements:						
Current:						
Security of Persons and Property	252,797	19,487				272,284
Public Health Services	8,915	70,475				79,390
Transportation	1,645	155,135				156,780
General Government	126,136				12,907	139,043
Debt Service:						
Principal Payments			21,000	75,000		96,000
Interest Payments			1,801	3,580		5,381
Financing and Other Debt-Service Related			450			450
Capital Outlay	10,537	34,582		495,634		540,753
Total Cash Disbursements	400,030	279,679	23,251	574,214	12,907	1,290,081
Total Receipts Over/(Under) Disbursements	(131,880)	(47,358)	4,926	(361,065)	606,037	70,660
Other Financing Receipts and (Disbursements):						
Proceeds of Notes						0
Transfers-In	182,362	70,330		331,462		584,154
Other Financing Sources - Sale of Assets	3,751			2,156		5,907
Transfers-Out					(595,744)	(595,744)
Other Financing Uses				(2,156)	(10,293)	(12,449)
Total Other Financing Receipts/(Disbursements)	186,113	70,330	0	331,462	(606,037)	(18,132)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	54,233	22,972	4,926	(29,603)	0	52,528
Fund Cash Balances, January 1	181,043	105,776	18,761	227,807	9,967	543,354
Fund Cash Balances, December 31	\$235,276	\$128,748	\$23,687	\$198,204	\$9,967	\$595,882
Reserves for Encumbrances, December 31	\$3,901	\$957	\$0	\$0	\$0	\$4,858

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$595,698
Total Operating Cash Receipts	595,698
Operating Cash Disbursements:	
Personal Services	108,403
Contractual Services	312,518
Supplies and Materials	63,755
Capital Outlay	2,400
Total Operating Cash Disbursements	487,076
Operating Income/(Loss)	108,622
Non-Operating Cash Receipts:	
Intergovernmental Receipts	2,400
Proceeds from Notes and Bonds	145,000
Other Non-Operating Receipts	7,470
Total Non-Operating Cash Receipts	154,870
Non-Operating Cash Disbursements:	
Debt Service	230,065
Other Non-Operating Cash Disbursements	1,520
Total Non-Operating Cash Disbursements	231,585
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	31,907
Transfers-In	18,094
Transfers-Out	(6,504)
Net Receipts Over/(Under) Disbursements	43,497
Fund Cash Balances, January 1	175,195
Fund Cash Balances, December 31	\$218,692

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$50,027	\$102,409	\$25,014	\$0	\$595,258	\$772,708
Special Assessments				31,867		31,867
Intergovernmental Receipts	164,983	118,432	3,031	213,176		499,622
Charges for Services	9,206					9,206
Fines, Licenses, and Permits	38,131	525				38,656
Earnings on Investments	30,051	9,857				39,908
Miscellaneous	315	94				409
Total Cash Receipts	292,713	231,317	28,045	245,043	595,258	1,392,376
Cash Disbursements:						
Current:						
Security of Persons and Property	248,333	22,800			82	271,215
Public Health Services	10,014	70,152				80,166
Transportation	1,550	170,594				172,144
General Government	131,008				14,011	145,019
Debt Service:						
Principal Payments	6,643	7,534	21,000	120,000		155,177
Interest Payments	492	558	2,702	4,650		8,402
Financing and Other Debt-Service Related			446			446
Capital Outlay	1,989	59,809		473,424		535,222
Total Cash Disbursements	400,029	331,447	24,148	598,074	14,093	1,367,791
Total Receipts Over/(Under) Disbursements	(107,316)	(100,130)	3,897	(353,031)	581,165	24,585
Other Financing Receipts and (Disbursements):						
Proceeds of Notes				75,000		75,000
Transfers-In	174,981	67,735		321,739		564,455
Other Financing Sources - Sale of Assets		150		25,970		26,120
Transfers-Out					(564,455)	(564,455)
Other Financing Uses				(25,970)	(16,792)	(42,762)
Total Other Financing Receipts/(Disbursements)	174,981	67,885	0	396,739	(581,247)	58,358
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	67,665	(32,245)	3,897	43,708	(82)	82,943
Fund Cash Balances, January 1	113,378	138,021	14,864	184,099	10,049	460,411
Fund Cash Balances, December 31	\$181,043	\$105,776	\$18,761	\$227,807	\$9,967	\$543,354
Reserves for Encumbrances, December 31	\$331	\$1,895	\$0	\$0	\$0	\$2,226

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$587,744
Miscellaneous	1,331
	<u>589,075</u>
Total Operating Cash Receipts	<u>589,075</u>
Operating Cash Disbursements:	
Personal Services	92,556
Contractual Services	329,602
Supplies and Materials	63,988
Capital Outlay	135,077
	<u>621,223</u>
Total Operating Cash Disbursements	<u>621,223</u>
Operating Income/(Loss)	<u>(32,148)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	94,549
Proceeds from Notes and Bonds	162,000
Other Non-Operating Receipts	2,100
	<u>258,649</u>
Total Non-Operating Cash Receipts	<u>258,649</u>
Non-Operating Cash Disbursements:	
Debt Service	244,588
Other Non-Operating Cash Disbursements	3,640
	<u>248,228</u>
Total Non-Operating Cash Disbursements	<u>248,228</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(21,727)</u>
Transfers-In	6,504
Other Financing Sources	8,098
Transfers-Out	(6,504)
Other Financing Uses	(8,098)
	<u>(8,098)</u>
Net Receipts Over/(Under) Disbursements	<u>(21,727)</u>
Fund Cash Balances, January 1	<u>196,922</u>
Fund Cash Balances, December 31	<u>\$175,195</u>
Reserve for Encumbrances, December 31	<u>\$2,527</u>

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Batavia, Clermont County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Village funds are deposited in a public funds checking account with a local commercial bank.

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Ambulance EMS Fund -This fund receives tax monies to fund the ambulance service for the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Fire Truck – This fund was used for the payment of debt on a fire truck.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects funds:

Third Street Fund - This fund receives OPWC monies for the Third Street Project.

Capital Improvement Fund – This fund receives local income tax monies for the Village's share of capital improvement projects.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds (Expendable Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary fund:

Local Income Tax Fund – This expendable trust fund receives proceeds from the Village residents and transfers these proceeds to various funds for street improvements and police protection.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2001	2000
Demand deposits	<u>\$814,574</u>	<u>\$718,549</u>
Total deposits	<u>\$814,574</u>	<u>\$718,549</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 2001 and 2000 follows:

Fund Type	2001 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$ 413,298	\$ 454,263	\$ 40,965
Special Revenue	303,132	302,651	(481)
Debt Service	27,880	28,177	297
Capital Projects	486,200	546,767	60,567
Enterprise	776,900	768,662	(8,238)
Fiduciary	<u>629,000</u>	<u>618,944</u>	<u>(10,056)</u>
Total	<u>\$2,636,410</u>	<u>\$ 2,719,464</u>	<u>\$ 83,054</u>

Fund Type	2001 Budgeted vs. Actual Budgetary Basis Expenditures		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$ 451,031	\$ 403,931	\$ 47,100
Special Revenue	343,375	280,636	62,739
Debt Service	28,407	23,251	5,156
Capital Projects	654,200	576,370	77,830
Enterprise	881,231	725,165	156,066
Fiduciary	<u>629,000</u>	<u>618,944</u>	<u>10,056</u>
Total	<u>\$ 2,987,244</u>	<u>\$ 2,628,297</u>	<u>\$ 358,947</u>

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Fund Type	2000 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$ 468,357	\$ 467,694	\$ (663)
Special Revenue	306,219	299,202	(7,017)
Debt Service	26,650	28,045	1,395
Capital Projects	645,400	667,752	22,352
Enterprise	790,031	862,326	72,295
Fiduciary	<u>600,000</u>	<u>595,258</u>	<u>(4,742)</u>
Total	<u>\$ 2,836,657</u>	<u>\$ 2,920,277</u>	<u>\$ 83,620</u>

Fund Type	2000 Budgeted vs. Actual Budgetary Basis Expenditures		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$ 451,595	\$ 400,360	\$ 51,235
Special Revenue	371,149	333,342	37,807
Debt Service	67,600	24,148	43,452
Capital Projects	645,487	624,044	21,443
Enterprise	859,693	886,580	(26,887)
Fiduciary	<u>559,330</u>	<u>595,340</u>	<u>(36,010)</u>
Total	<u>\$ 2,954,854</u>	<u>\$ 2,863,814</u>	<u>\$ 91,040</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority during fiscal year 2000 in the Capital Improvement Fund by \$118,771 at June 30, 2000 and \$143,861 at July 26, 2000, Sewer Fund by \$18,864 at June 30, 2000 and Third Street Fund by \$165,567 at June 30, 2000. Also contrary to Ohio law, at December 31, 2000, budgetary expenditures plus encumbrances exceeded appropriations in the Third Street Fund by \$21,576, Sewer Fund by \$119,867 and Income Tax Fund by \$36,168.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Fire Equipment Oblg. Bond Anticipation Notes	\$ 21,000	4.30%
Sewer Mortgage Revenue Bonds	444,333	5.25 – 6.50%
Street Improvement Oblg. Bond Anticipation Notes	<u>75,000</u>	4.80%
Total	<u>\$ 540,333</u>	

The Ohio Fire Equipment Obligation Bond Anticipation Notes were issued on May 27, 1999, for the purchase of a new Village fire truck. The note will be repaid over three years. The final note will mature on May 24, 2002.

The Street Improvement Obligation Bond Anticipation Note was issued on February 22, 2001 for the improvement of the Village's streets. The note will mature on February 22, 2002.

The Mortgage Revenue Bonds were issued in December 1992 for the improvement of the Village sewer system. The bonds will mature annually through December 2012.

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

Year ending December 31:	General Obligation Bonds	General Obligation Bonds	Sewer Revenue Bonds
2002	\$ 78,600	\$ 21,903	\$ 58,438
2003	0	0	56,638
2004	0	0	59,763
2005	0	0	57,575
2006	0	0	55,388
Subsequent	<u>0</u>	<u>0</u>	<u>347,275</u>
Total	<u>\$ 78,600</u>	<u>\$ 21,903</u>	<u>\$ 635,077</u>

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2001 was \$89,000. Assets accumulated to retire this debt are held by a trustee, and are not included in the assets disclosed in Note 2.

Furthermore, the Village paid off two leases in fiscal year 2000. These leases consisted of a 1999 Crown Victoria police cruiser and a 1999 Ford 350 street maintenance truck.

7. COURT SETTLEMENT

The Village entered into judgment with the Clermont County Board of Commissioners on November 12, 2001. Per this judgment the Village shall pay the County an amount of \$8,000 quarterly commencing on January 1, 2002 until the judgment's paid in full. As of December 31, 2001, the Village owed the County \$319,626, which represents \$247,500 for the system capacity charge for connection to the County's water system and \$72,126 for attorney's fees incurred by the County during the underlying litigation.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

9. RISK MANAGEMENT

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31 (the latest information available):

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. RISK MANAGEMENT (Continued)

	2000	1999
Assets	\$2,958,827	\$4,151,450
Liabilities	3,863,373	3,461,914
Retained (deficit) earnings	(\$904,546)	\$689,536

10. DEBT SERVICE TRUSTEED FUNDS

The Sewer Plant Expansion trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2001, the custodian held \$89,380 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

As disclosed in Note 6, the Village has also defeased the Waterworks Plant Expansion 1967 bonds. At December 31, 2001, the custodian held \$77,756 in Village assets to retire the 1967 bonds.

11. SUBSEQUENT EVENTS

Starting January 1, 2002, the Village will no longer receive the tax dollars relating to the Fire Operating Levy and EMS Levy. This is approximately forty-six percent of total receipts for the Special Revenue Funds. The Village has formed a joint fire district with Batavia Township, therefore, the monies will go directly to the District.

The Village adopted ordinance 994-02 on June 10, 2002 providing for the issuance and sale of First Mortgage Sewer System Revenue Refunding and Improvement Bonds, not to exceed \$600,000. The purpose of these bonds is to refund the Village's First Mortgage Sewer System Revenue Bonds, series 1992 and for improving the Village's sewer system.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Batavia
Clermont County
389 East Main Street
Batavia, Ohio 45103

To the Village Council:

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 17, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-30413-001. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 17, 2002.

Village of Batavia
Clermont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the finance committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 17, 2002

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30413-001 *

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations during fiscal year 2000 in the OPWC grant funds. The following funds had expenditures in excess of appropriations at June 30, 2000:

Fund	Expenditure Amount in excess of Appropriations at June 30, 2000
Capital Improvement	\$118,771
Sewer – OPWC	18,864
Third Street - OPWC	165,597

Furthermore, the Capital Improvement Fund continued to spend resulting in a negative variance of \$143,861 at July 26, 2000. These variances remained until August 14, 2000 when supplemental appropriations were approved. We recommend the Village amend appropriations before incurring or posting expenditures.

Expenditures plus encumbrances exceeded appropriations at fiscal year 2000 year-end in the following funds:

Fund	Expenditures	Appropriations	Variance
Third Street	213,176	191,600	21,576
Sewer	424,516	304,649	119,867
Income Tax	595,258	559,090	36,168

* We also reported this matter in our audit of the FY 1998 and 1999 financial statements.

This page intentionally left blank.

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30413-001	Employee overpaid for 16 hours of work (\$172.64)	Yes	
1999-30413-002	Approval of purchase orders	Yes	
1999-30413-003	Noncompliance with bond covenant	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF BATAVIA

CLERMONT 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
JULY 11, 2002**