



Mary Taylor, CPA
Auditor of State

VILLAGE OF BATAVIA
CLERMONT COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

July 19, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Batavia
Clermont County
389 East Main Street
Batavia, OH 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, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary fund for the years then ended.

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Also, 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 of Batavia, Clermont County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2007, 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.

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

Mary Taylor, CPA
Auditor of State

July 19, 2007

VILLAGE OF BATAVIA
CLERMONT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$285,300	\$87,232	\$42,205	\$351,707	\$766,444
Special Assessments				2,105	2,105
Intergovernmental Receipts	104,938	173,842		282,260	561,040
Charges for Services	4,422				4,422
Fines, Licenses, and Permits	16,114				16,114
Earnings on Investments	18,407	17,740			36,147
Miscellaneous		1,600			1,600
Total Cash Receipts	429,181	280,414	42,205	636,072	1,387,872
Cash Disbursements:					
Current:					
Security of Persons and Property	264,473	16,658			281,131
Public Health Services	11,431				11,431
Community Environment		22,000			22,000
Transportation	500	202,645			203,145
General Government	165,913	3,939	2,055	16,413	188,320
Debt Service:					
Principal Payments			32,000	900,000	932,000
Interest Payments				22,796	22,796
Capital Outlay				1,356,328	1,356,328
Total Cash Disbursements	442,317	245,242	34,055	2,295,537	3,017,151
Total Receipts Over/(Under) Disbursements	(13,136)	35,172	8,150	(1,659,465)	(1,629,279)
Other Financing Receipts and (Disbursements):					
Sale of Bonds				900,000	900,000
Transfers-In		7,000			7,000
Transfers-Out	(7,000)				(7,000)
Total Other Financing Receipts/(Disbursements)	(7,000)	7,000	0	900,000	900,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,136)	42,172	8,150	(759,465)	(729,279)
Fund Cash Balances, January 1	175,320	169,181	83,876	1,258,289	1,686,666
Fund Cash Balances, December 31	\$155,184	\$211,353	\$92,026	\$498,824	\$957,387
Reserves for Encumbrances, December 31	\$0	\$500	\$0	\$15,204	\$15,704

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 - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Cash Receipts:	
Charges for Services	\$624,627
Licenses, Permits, and Fees	3,170
	<hr/>
Total Operating Cash Receipts	627,797
	<hr/>
Operating Cash Disbursements:	
Personal Services	136,487
Contractual Services	271,895
Supplies and Materials	74,300
Capital Outlay	14,760
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Total Operating Cash Disbursements	497,442
	<hr/>
Operating Income	130,355
	<hr/>
Non-Operating Cash Receipts:	
Special Assessments	24,027
Other Non-Operating Receipts	3,810
	<hr/>
Total Non-Operating Cash Receipts	27,837
	<hr/>
Non-Operating Cash Disbursements:	
Debt Service	77,365
Other Non-Operating Cash Disbursements	2,025
	<hr/>
Total Non-Operating Cash Disbursements	79,390
	<hr/>
Excess of Receipts Over Disbursements Before Interfund Transfers	78,802
	<hr/>
Transfers-In	6,504
Transfers-Out	(6,504)
	<hr/>
Net Receipts Over Disbursements	78,802
	<hr/>
Fund Cash Balances, January 1	321,231
	<hr/>
Fund Cash Balances, December 31	\$400,033
	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$7,107
	<hr/> <hr/>

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$273,177	\$78,774	\$55,238	\$345,238	\$752,427
Intergovernmental Receipts	171,743	157,726		61,136	390,605
Charges for Services	7,513				7,513
Fines, Licenses, and Permits	17,007	100			17,107
Earnings on Investments	3,140	2,375			5,515
Miscellaneous	34	1,245		920	2,199
Total Cash Receipts	<u>472,614</u>	<u>240,220</u>	<u>55,238</u>	<u>407,294</u>	<u>1,175,366</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	253,702	9,093			262,795
Public Health Services	15,460	1,184			16,644
Community Environment	950				950
Transportation	377	214,839			215,216
General Government	181,816	3,388	2,464	15,398	203,066
Debt Service:					
Principal Payments		15,912	32,000		47,912
Interest Payments		5,826			5,826
Capital Outlay				441,294	441,294
Total Cash Disbursements	<u>452,305</u>	<u>250,242</u>	<u>34,464</u>	<u>456,692</u>	<u>1,193,703</u>
Total Receipts Over/(Under) Disbursements	<u>20,309</u>	<u>(10,022)</u>	<u>20,774</u>	<u>(49,398)</u>	<u>(18,337)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds				900,000	900,000
Sale of Fixed Assets	1,301	2,200			3,501
Transfers-In	35,000				35,000
Other Financing Sources	3,353			3,577	6,930
Total Other Financing Receipts/(Disbursements)	<u>39,654</u>	<u>2,200</u>	<u>0</u>	<u>903,577</u>	<u>945,431</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	59,963	(7,822)	20,774	854,179	927,094
Fund Cash Balances, January 1	115,357	177,003	63,102	404,110	759,572
Fund Cash Balances, December 31	<u>\$175,320</u>	<u>\$169,181</u>	<u>\$83,876</u>	<u>\$1,258,289</u>	<u>\$1,686,666</u>
Reserves for Encumbrances, December 31	<u>\$1,530</u>	<u>\$4,994</u>	<u>\$0</u>	<u>\$220,158</u>	<u>\$226,682</u>

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 - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Cash Receipts:	
Charges for Services	\$617,897
Licenses, Permits, and Fees	<u>22,825</u>
Total Operating Cash Receipts	<u>640,722</u>
Operating Cash Disbursements:	
Personal Services	130,745
Contractual Services	261,339
Supplies and Materials	57,226
Capital Outlay	<u>5,500</u>
Total Operating Cash Disbursements	<u>454,810</u>
Operating Income	<u>185,912</u>
Non-Operating Cash Receipts:	
Special Assessments	5,288
Proceeds from Bonds	280,000
Other Non-Operating Receipts	<u>2,580</u>
Total Non-Operating Cash Receipts	<u>287,868</u>
Non-Operating Cash Disbursements:	
Debt Service	327,257
Other Non-Operating Cash Disbursements	<u>17,260</u>
Total Non-Operating Cash Disbursements	<u>344,517</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	129,263
Transfers-In	6,504
Transfers-Out	<u>(41,504)</u>
Net Receipts Over Disbursements	94,263
Fund Cash Balances, January 1	<u>226,968</u>
Fund Cash Balances, December 31	<u><u>\$321,231</u></u>
Reserve for Encumbrances, December 31	<u><u>\$1,308</u></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, 2005 AND 2004**

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 Batavia, Clermont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides 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 the financial statements do not include debt service funds external custodians maintain. Note 11 to the financial statements describes these assets.

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street II Fund -This fund receives a portion of the income tax receipts that are set aside for constructing, maintaining, and repairing Village street.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service funds:

Water Debt Fund – This fund was created by a Village ordinance and is used for the payments due to Clermont County as a result of a court settlement. (as further described in Note 8) The fund received 8% and 6% of the income tax receipts for fiscal year 2004 and 2005 respectively.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives local income tax monies and note proceeds for Village capital improvements.

5. 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.

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. Village 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.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT OF FUND BALANCE

The fund balance of the Special Revenue and Expendable Trust Funds were restated from amounts previously reported regarding program income in relation to a housing rehabilitation program from a Community Development Block Grant (CDBG). The Rehab and Centennial fund should be classified as a Special Revenue fund. The restatement resulted in changes to balances reported at December 31, 2003 as follows:

	<u>Special Revenue Fund</u>	<u>Expendable Trust Fund</u>
Fund Balance December 31, 2003 (as reported)	\$154,837	\$22,166
Restatement	<u>22,166</u>	<u>(22,166)</u>
Fund Balance December 31, 2003 (as restated)	<u>\$177,003</u>	<u>\$ 0</u>

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$88,062	\$1,946,707
Escrow Savings Account - *	62,423	61,190
Total deposits	150,485	2,007,897
Repurchase agreement	1,206,935	0
Total deposits and investments	\$1,357,420	\$2,007,897

* - This represents cash placed in an escrow account for final payment on the West Main Street Roadway and Stormwater Improvements Project.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$372,046	\$429,181	\$57,135
Special Revenue	240,122	287,414	47,292
Debt Service	36,000	42,205	6,205
Capital Projects	597,260	1,536,072	938,812
Enterprise	644,605	662,138	17,533
Total	\$1,890,033	\$2,957,010	\$1,066,977

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$489,293	\$449,317	\$39,976
Special Revenue	291,008	245,742	45,266
Debt Service	34,055	34,055	0
Capital Projects	1,663,831	2,310,741	(646,910)
Enterprise	693,400	590,443	102,957
Total	\$3,171,587	\$3,630,298	(\$458,711)

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$419,172	\$512,268	\$93,096
Special Revenue	206,073	242,420	36,347
Debt Service	40,000	55,238	15,238
Capital Projects	1,215,000	1,310,871	95,871
Enterprise	898,588	935,094	36,506
Total	\$2,778,833	\$3,055,891	\$277,058

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$485,921	\$453,835	\$32,086
Special Revenue	280,055	255,236	24,819
Debt Service	34,464	34,464	0
Capital Projects	932,580	676,850	255,730
Enterprise	936,305	842,139	94,166
Total	\$2,669,325	\$2,262,524	\$406,801

The negative variance in the Village's Capital Projects fund budgeted vs. actual budgetary basis expenditures, and corresponding positive variance in the budgeted vs. actual receipts as of December 31, 2005 was caused by an adjusting entry to record the retirement of bond anticipation notes and the proceeds of the first renewal. The budgetary activity for the Village during the year was in compliance with Ohio law before this adjustment.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. LOCAL INCOME TAX

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

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

7. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds	\$460,000	2.65 - 5.25%
Ohio Public Works Commission	90,000	0%
West Main Street G.O. Bond Anticipation Notes	900,000	3.75%
Sewer Improvement Special Assessment	270,000	2.00 - 5.25%
Total	<u>\$1,720,000</u>	

The Sewer Mortgage Revenue Bonds were issued in July, 2002 as a result of the 1992 Mortgage Revenue Bonds being defeased. The bonds were issued for the improvement of the Village sewer system. The Bonds will mature in 2017.

The Ohio Public Works Commission (OPWC) loan relates to a waterline addition. The OPWC has approved a \$100,000 loan to the Village for this project. The loan will be repaid in semiannual installments of \$2,500 over 20 years. The loan is collateralized by water and sewer receipts.

The West Main Street General Obligation Bond Anticipation Notes, First Renewal was issued on November 30, 2005 for the purpose of Improving West Main Street in the amount of \$900,000. The note will mature on November 29, 2006.

The Sewer Improvement Special Assessment Bonds were issued on August 31, 2004. The Bonds were to be used for the purpose of paying part of the cost of sanitary sewers on Clark, Glen, and Ely streets within the village. The Bonds will mature in 2024.

The Village's taxing authority collateralizes General Obligation Bonds.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC Loan	Sewer Mortgage Revenue Bond	Sewer System Improvement Special Assessment	West Main Street GO Bond Anticipation Notes
2006	\$2,500	\$51,713	\$21,790	\$933,750
2007	5,000	50,663	21,555	
2008	5,000	54,523	21,275	
2009	5,000	53,123	20,965	
2010	5,000	51,635	20,635	
2011-2015	25,000	256,878	111,873	
2016-2020	25,000	102,610	106,203	
2021-2024	17,500	90,330		
Total	<u>\$90,000</u>	<u>\$621,145</u>	<u>\$414,626</u>	<u>\$933,750</u>

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2005 was \$348,000, which includes the principal balance of \$315,000 of the Sewer Mortgage Revenue Bonds defeased in 2002. Assets accumulated to retire this debt are held by a trustee, and are not included in the assets disclosed in Note 3.

The Village paid off a lease for a dump truck in fiscal year 2005. Currently, the Village leases a police cruiser. The original cost of the police cruiser was \$21,858. The following is a schedule of the future minimum lease payments under the capital lease.

Year Ending December 31 2006	Capital Lease \$7,286
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8. 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 is paid in full. As of December 31, 2005, the Village owed the County \$183,626, which represents payment for the system capacity charge for connection to the County's water system and attorney fees incurred by the County during underlying litigation.

9. RETIREMENT SYSTEMS

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

9. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

10. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

10. RISK MANAGEMENT (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$38,128. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2003	\$17,957
2004	\$18,237
2005	\$19,064

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

10. RISK MANAGEMENT (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

11. 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, 2005, the custodian held \$88,669 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

As disclosed in Note 7, the Village has also defeased the Waterworks Plant Expansion 1967 bonds. At December 31, 2005, the custodian held \$78,404 in Village assets to retire the 1967 bonds.

12. SUBSEQUENT EVENT

The Village adopted ordinance 1089-06 on November 6, 2006 providing for the issuance of the West Main Street Improvement General Obligation Bond Anticipation Notes, Second (2006) Renewal not to exceed \$800,000. The purpose of these bonds is to finance the cost of improving West Main Street within the Village.



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 Batavia
Clermont County
389 East Main Street
Batavia, OH 45103

To the Village Council:

We have audited the financial statements of the Village of Batavia, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 19, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated July 19, 2007, we reported another matter involving internal control over financial reporting which we did not deem a reportable condition.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated July 19, 2007, we reported other matters related to noncompliance we deemed immaterial.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and accordingly we express no opinion on it.

We intend this report solely for the information and use of the finance committee, management, and council. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

July 19, 2007

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Material Noncompliance/Reportable Conditions

Ohio Rev. Code, Section 733.28, requires that the village clerk keep the books of the village, exhibit accurate statements of all moneys received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village ledgers were not maintained accurately with several instances where receipts and disbursements were not properly classified:

- In FY 2005 and 2004, SB 3/287 deregulation revenue in the amount of \$4,159 per fiscal year was recorded as taxes instead of intergovernmental;
- In FY 2005 and 2004, permissive motor vehicle license tax revenue in the amount of \$4,910 and \$6,362, respectively, was recorded as intergovernmental instead of taxes;
- In FY 2005 and 2004, a portion of the motor vehicle license tax in the amount of \$155 and \$68, respectively, was posted to the wrong fund;
- In FY 2005, second half real estate tax revenue in the amount of \$3,828 was recorded at net rather than gross;
- In FY 2005, personal property exemption in the amount of \$1,252 was recorded as taxes instead of intergovernmental;
- In FY 2005, homestead and rollback revenue in the amount of \$2,886 was recorded as taxes instead of intergovernmental;
- In FY 2005, special assessments revenue in the amount of \$26,133 was posted to the wrong line items;
- In FY 2004, bond proceeds in the amount of \$280,000 and \$16,200 for the 2004 Sewer Improvement Special Assessment Bonds were recorded at net of issuance costs rather than at gross;
- Redemption of principal for the 2004 West Main Street General Obligation Bond Anticipation Note in the amount of \$900,000 was not recorded by the Village and the interest paid in the amount of \$22,796 was posted to the wrong line item. Also, bond proceeds for the 2005 West Main Street General Obligation Bond Anticipation Note, first renewal in the amount of \$900,000 was not recorded by the Village.

**FINDING NUMBER 2005-001
(Continued)**

As a result of these errors, receipts and disbursements for certain line items and funds were incorrectly reported on the Annual Report. Significant reclassifications and adjustments were made to individual line items and funds on the financial statements. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflected the Village's financial activity in the annual report.

We recommend the Village Clerk-Treasurer accurately maintain the Village's accounting records in accordance with the Ohio Admin. Code Section 117-2-02(A) and utilize the Village Officers Handbook as additional guidance.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-002

Material Noncompliance/Reportable Conditions

Also, **Ohio Admin. Code, Section 117-2-02(D)**, provides that all local public offices should maintain or provide a report similar to the following:

Payroll records should include:

- W-2's, W-4's and other withholding records and authorizations.

During review of the Village's employee personnel files we determined that the Village was missing 9 (90%) state withholding authorizations for the 10 personnel files reviewed. Failure to maintain employees' payroll information could result in incorrect deductions and/or compensation. We recommend that the Village obtain and maintain all necessary payroll records for their employees.

Officials' Response

The Village of Batavia has always determined the number of exemptions for state withholding based on an employee's federal W-4, completed upon hire.

Upon review of the 2004-2005 audit, Village employees have completed state exemption certificates.

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Not certifying the availability of funds prior to purchase commitment.	Yes	



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 4, 2007**