

Village of Batavia
Clermont County, Ohio

Regular Audit

January 1, 2008, through December 31, 2009
Fiscal Years Audited Under GAGAS: 2009 and 2008



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Mary Taylor, CPA

Auditor of State

Village Council
Village of Batavia
389 East Main Street
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Village of Batavia, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Batavia is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

September 20, 2010

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VILLAGE OF BATAVIA
CLERMONT COUNTY
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Independent Auditor's Report

Village of Batavia
Clermont County
389 East Main St.
Batavia, Ohio 45103

To the Village Council:

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 Standard*. 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 that 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting its larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable, for the years then ended.

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, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 30, 2010, 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 this 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.



Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2010

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, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Taxes	\$ 62,255	\$ 13,138	\$ -	\$ -	\$ 75,393
Municipal Income Tax	279,317	179,049	-	257,830	716,196
Intergovernmental	116,743	153,824	-	196,723	467,290
Special Assessments	-	-	25,301	4,723	30,024
Charges for Services	3,899	-	-	-	3,899
Fines, Licenses, and Permits	15,450	1,496	-	-	16,946
Earnings on Investments	2,454	167	-	-	2,621
Miscellaneous	5,445	4,953	-	14,423	24,821
Total Cash Receipts	<u>485,563</u>	<u>352,627</u>	<u>25,301</u>	<u>473,699</u>	<u>1,337,190</u>
Cash Disbursements:					
Current:					
Security of Persons & Property	307,098	561	-	-	307,659
Public Health Service	7,597	-	-	-	7,597
Community Environment	-	864	-	-	864
Transportation	-	270,840	-	-	270,840
General Government	169,948	-	90,233	2,461	262,642
Capital Outlay	-	-	-	709,961	709,961
Debt Service:					
Redemption of Principal	-	-	10,000	40,000	50,000
Interest and Fiscal Charges	-	-	10,965	33,213	44,178
Total Cash Disbursements	<u>484,643</u>	<u>272,265</u>	<u>111,198</u>	<u>785,635</u>	<u>1,653,741</u>
Total Cash Receipts Over/(Under) Cash Disbursements	920	80,362	(85,897)	(311,936)	(316,551)
Fund Cash Balances, January 1	<u>112,841</u>	<u>189,363</u>	<u>109,660</u>	<u>639,439</u>	<u>1,051,303</u>
Fund Cash Balances, December 31	<u>\$ 113,761</u>	<u>\$ 269,725</u>	<u>\$ 23,763</u>	<u>\$ 327,503</u>	<u>\$ 734,752</u>
Reserve for Encumbrances, December 31	<u>\$ 3,033</u>	<u>\$ 1,100</u>	<u>\$ -</u>	<u>\$ 47,806</u>	<u>\$ 51,939</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 724,760
Total Operating Cash Receipts	724,760
Operating Cash Disbursements:	
Personal services	141,561
Employee Fringe Benefits	57,541
Contractual services	142,046
Supplies and Materials	85,835
Other	143,006
Total Operating Cash Disbursements	<u>569,989</u>
Operating Income	154,771
Non-Operating Cash Receipts:	
Special Assessments	35,075
Intergovernmental	5,179
Capital Outlay	(31,054)
Other Non-operating Receipts	47,952
Principal	(40,000)
Interest	(16,818)
Total Non-Operating Cash Receipts/(Disbursements)	<u>334</u>
Net Cash Receipts Over Cash Disbursements	155,105
Fund Cash Balances, January 1	<u>452,700</u>
Fund Cash Balances, December 31	<u>\$ 607,805</u>
Reserve for Encumbrances, December 31	<u>\$ 2,493</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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Taxes	\$ 62,372	\$ 13,757	\$ -	\$ -	\$ 76,129
Municipal Income Tax	313,875	92,083	10,679	408,525	825,162
Intergovernmental	115,241	142,409	-	113,786	371,436
Special Assessments	-	-	27,568	2,041	29,609
Charges for Services	5,305	-	-	-	5,305
Fines, Licenses, and Permits	17,842	175	-	-	18,017
Earnings on Investments	29,885	2,075	-	-	31,960
Miscellaneous	4,396	1,778	-	-	6,174
	<u>548,916</u>	<u>252,277</u>	<u>38,247</u>	<u>524,352</u>	<u>1,363,792</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons & Property	318,033	2	-	-	318,035
Public Health Service	7,763	-	-	-	7,763
Community Environment	-	196	-	-	196
Transportation	-	252,241	-	-	252,241
General Government	206,161	-	32,000	23,567	261,728
Capital Outlay	-	-	-	218,258	218,258
Debt Service:					
Redemption of Principal	-	-	10,000	40,000	50,000
Interest and Fiscal Charges	-	-	11,275	35,078	46,353
	<u>531,957</u>	<u>252,439</u>	<u>53,275</u>	<u>316,903</u>	<u>1,154,574</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	16,959	(162)	(15,028)	207,449	209,218
Fund Cash Balances, January 1	<u>95,882</u>	<u>189,525</u>	<u>124,688</u>	<u>431,990</u>	<u>842,085</u>
Fund Cash Balances, December 31	<u>\$ 112,841</u>	<u>\$ 189,363</u>	<u>\$ 109,660</u>	<u>\$ 639,439</u>	<u>\$ 1,051,303</u>
Reserve for Encumbrances, December 31	<u>\$ 3,470</u>	<u>\$ 1,858</u>	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ 5,682</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 622,915
Total Operating Cash Receipts	622,915
Operating Cash Disbursements:	
Personal services	160,372
Fringe benefits	59,764
Contractual services	139,453
Supplies and Materials	83,322
Other	147,520
Total Operating Cash Disbursements	<u>590,431</u>
Operating Income	32,484
Non-Operating Cash Receipts/(Disbursements):	
Special Assessments	34,748
Other Financing Sources	4,025
Capital Outlay	(59,114)
Principal	(40,000)
Interest	(20,000)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(80,341)</u>
Net Cash Receipts Over Cash Disbursements	(47,857)
Fund Cash Balances, January 1	<u>500,557</u>
Fund Cash Balances, December 31	<u><u>\$ 452,700</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 3,088</u></u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village’s accounting policies are described below.

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 government services, road and bridge maintenance, police services, sewer utilities, and mayor’s court.

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

B. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund: The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Village had the following significant special revenue fund:

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

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

Capital Projects: This fund receives income tax monies for the construction of streets.

Debt Service Funds: This fund is used to accumulate resources for the payment of bonds and note indebtedness.

PROPRIETARY FUNDS

Enterprise Fund

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 enterprise fund:

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

C. 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 on material matters, as prescribed or permitted by the Auditor of State.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the department level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projective receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. The Village did not adopt supplemental appropriations during 2009 and 2008. Administrative control is maintained through the establishment of budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

D. BUDGETARY PROCESS (Cont'd)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation,

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2009 and 2008.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. CASH AND CASH EQUIVALENTS

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.

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's regulatory basis of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 2 – CASH AND INVESTMENTS

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

	2009	2008
Demand deposits	\$ 83,621	\$ 14,611
Repurchase agreement	1,258,936	1,489,392
Total deposits and investments	\$ 1,342,557	\$ 1,504,003

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 were as follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 549,625	\$ 485,653	\$ (63,972)
Special Revenue	284,522	352,627	68,105
Debt Service	25,301	25,301	-
Capital Projects	279,632	473,699	194,067
Enterprise	817,602	812,966	(4,636)
Total	\$ 1,956,682	\$ 2,150,246	\$ 193,564

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 582,986	\$ 487,676	\$ 95,310
Special Revenue	310,979	273,365	37,614
Debt Service	115,233	111,198	4,035
Capital Projects	838,440	833,441	4,999
Enterprise	886,522	660,354	226,168
Total	\$ 2,734,160	\$ 2,366,034	\$ 368,126

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 3 – BUDGETARY ACTIVITY (COND'T)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,008,600	\$ 548,916	\$ (459,684)
Special Revenue	272,357	252,277	(20,080)
Debt Service	35,000	38,247	3,247
Capital Projects	405,000	524,352	119,352
Enterprise	643,500	661,688	18,188
Total	\$ 2,364,457	\$ 2,025,480	\$ (338,977)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 563,095	\$ 535,427	\$ 27,668
Special Revenue	308,225	254,297	53,928
Debt Service	57,000	53,275	3,725
Capital Projects	325,211	317,257	7,954
Enterprise	812,800	712,633	100,167
Total	\$ 2,066,331	\$ 1,872,889	\$ 193,442

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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 by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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 taxes, billing, collecting, and distributing all property taxes on behalf of the Village.

NOTE 5 – LOCAL INCOME TAX

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

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

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 6 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds	\$ 330,000	2.65-5.25%
Ohio Public Works Commission	70,000	0%
West Main Street G.O. Bond	740,000	3.75-4.60%
Sewer Improvement Special Assessment	235,000	2.65-5.25%
Total	<u>\$ 1,375,000</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 was issued on November 30, 2009 for the purpose of repaying the West Main Street G.O. Bond Anticipation Note for improving West Main Street. The bond will mature on December 1, 2022.

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.

Amortization of the above debt, including interest, follows:

Year Ending December 31	<u>OPWC Loans</u>	<u>Sewer Mortgage Revenue Bond</u>	<u>Sewer System Improvement Special Assessment</u>	<u>West Main Street GO Bond</u>
2010	\$ 5,000	\$ 51,635	\$ 20,635	\$ 76,525
2011	5,000	50,078	20,285	74,815
2012	5,000	53,450	19,910	78,060
2013	5,000	51,550	24,515	76,085
2014	5,000	49,450	23,900	74,085
2015-2019	25,000	154,963	109,630	381,315
2020-2024	20,000	-	110,165	223,955
	<u>\$ 70,000</u>	<u>\$ 411,126</u>	<u>\$ 329,040</u>	<u>\$ 984,840</u>

NOTE 6 – DEBT OBLIGATIONS (continued)

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2009 was \$203,285, which includes the principal balance of \$203,285 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 police cruiser in fiscal year 2008.

NOTE 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 is paid in full. In 2009 the Village paid off the judgment to the County.

NOTE 8 – RETIREMENT SYSTEM

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.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10.1 percent of their wages. The Village contributed an amount equal to 17.4 percent of police participant wages. OPERS members contributed 10 percent, respectively, of their gross salaries and the Village contributed an amount equaling 14 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

NOTE 9 – 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 Workers 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, EP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 9 – RISK MANAGEMENT (continued)

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

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, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$ 35,769,535	\$ 37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	\$ 20,459,329	\$ 20,219,246

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future years is approximately \$27,000.

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.

Contributions to PEP		
2008	\$	18,027
2009	\$	18,498

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 sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

NOTE 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, 2009, the custodian held \$90,415.37 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, 2009, the 1967 bonds were closed.



**Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required by
*Government Auditing Standards***

Village Council
Village of Batavia
Clermont County
389 East Main St.
Batavia, Ohio 45103

We have audited the financial statements of the Village of Batavia, Clermont County, (the Village) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated June 30, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United State 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

We noted certain internal control matters that we reported to the Village's management in a separate letter dated June 30, 2010.

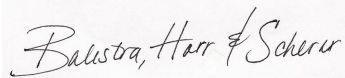
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain noncompliance or other matters that we reported to the Village's management a separate letter dated June 30, 2010.

Village Council
Village of Batavia
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required by
Government Auditing Standards
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2010

**VILLAGE OF BATAVIA
CLERMONT COUNTY
DECEMBER 31, 2009 AND 2008**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	ORC 733.28 accurate financial statements.	Yes	
2007-002	Ohio Revised Code Section 5705.41(B) – Expenses exceeding appropriations	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 30, 2010**