



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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VILLAGE OF BATAVIA  
CLERMONT COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010  
Fiscal Years Audited Under GAGAS: 2011 and 2010





# Dave Yost • 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, 2010 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 17, 2012

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VILLAGE OF BATAVIA  
CLERMONT COUNTY  
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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Village of Batavia, Clermont County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 audits provide 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.

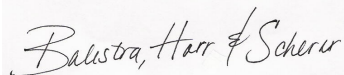
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position of 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Village of Batavia, Clermont County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2012, 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.

As described in Note 10 to the financial statements, during 2011 the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.  
May 18, 2012



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, 2011**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Taxes	\$ 64,653	\$ 34,384	\$ -	\$ -	\$ 99,037
Municipal Income Tax	355,317	155,040	-	202,338	712,695
Intergovernmental	102,277	95,664	-	-	197,941
Special Assessments	-	-	22,779	1,114	23,893
Charges for Services	2,965	-	-	-	2,965
Fines, Licenses, and Permits	18,932	609	-	-	19,541
Earnings on Investments	350	30	-	-	380
Miscellaneous	558	2,650	-	-	3,208
	<u>545,052</u>	<u>288,377</u>	<u>22,779</u>	<u>203,452</u>	<u>1,059,660</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	269,119	776	-	-	269,895
Public Health Service	6,839	-	-	-	6,839
Community Environment	-	787	-	-	787
Transportation	-	222,231	-	-	222,231
General Government	139,951	-	-	-	139,951
Capital Outlay	-	-	-	75,739	75,739
Debt Service:					
Redemption of Principal	-	-	12,500	45,000	57,500
Interest and Fiscal Charges	-	-	7,785	29,815	37,600
	<u>415,909</u>	<u>223,794</u>	<u>20,285</u>	<u>150,554</u>	<u>810,542</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	129,143	64,583	2,494	52,898	249,118
<b>Fund Cash Balances, January 1</b>	<u>311,087</u>	<u>283,987</u>	<u>48,986</u>	<u>421,283</u>	<u>1,065,343</u>
Assigned	1,510	-	-	-	1,510
Restricted	-	348,570	51,480	474,181	874,231
Unassigned	438,720	-	-	-	438,720
	<u>440,230</u>	<u>348,570</u>	<u>51,480</u>	<u>474,181</u>	<u>1,314,461</u>
<b>Fund Cash Balances, December 31</b>					

*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, 2011**

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	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 708,234
Total Operating Cash Receipts	708,234
<b>Operating Cash Disbursements:</b>	
Personal services	123,886
Employee Fringe Benefits	64,186
Contractual services	145,726
Supplies and Materials	40,415
Other	144,514
Total Operating Cash Disbursements	<u>518,727</u>
Operating Income	189,507
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	115,188
Capital Outlay	(2,684)
Other Non-operating Receipts	5,413
Principal	(40,000)
Interest	(14,587)
Total Non-Operating Cash Receipts/(Disbursements)	<u>63,330</u>
Net Cash Receipts Over Cash Disbursements	252,837
<b>Fund Cash Balances, January 1</b>	<u>798,707</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 1,051,544</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$ 2,493</b></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, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Taxes	\$ 72,264	\$ 36,220	\$ -	\$ -	\$ 108,484
Municipal Income Tax	335,692	142,405	-	183,383	661,480
Intergovernmental	105,812	105,635	-	-	211,447
Special Assessments	-	-	44,941	1,004	45,945
Charges for Services	3,784	-	-	-	3,784
Fines, Licenses, and Permits	17,837	1,866	-	-	19,703
Earnings on Investments	1,008	73	-	-	1,081
Miscellaneous	8,501	2,089	-	-	10,590
	<u>544,898</u>	<u>288,288</u>	<u>44,941</u>	<u>184,387</u>	<u>1,062,514</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons & Property	258,778	318	-	-	259,096
Public Health Service	7,310	-	-	-	7,310
Community Environment	-	900	-	-	900
Transportation	-	198,076	-	-	198,076
General Government	147,414	-	-	-	147,414
Capital Outlay	-	-	-	22,884	22,884
Debt Service:					
Redemption of Principal	-	-	12,500	45,000	57,500
Interest and Fiscal Charges	-	-	7,218	31,525	38,743
	<u>413,502</u>	<u>199,294</u>	<u>19,718</u>	<u>99,409</u>	<u>731,923</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	131,396	88,994	25,223	84,978	330,591
<b>Fund Cash Balances, January 1 (See Note 11)</b>	<u>179,691</u>	<u>194,993</u>	<u>23,763</u>	<u>336,305</u>	<u>734,752</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 311,087</u>	<u>\$ 283,987</u>	<u>\$ 48,986</u>	<u>\$ 421,283</u>	<u>\$ 1,065,343</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 1,383</u>	<u>\$ 475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,858</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, 2010**

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	<u><b>Proprietary Fund Type</b></u>
	<u><b>Enterprise</b></u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 734,713
Total Operating Cash Receipts	734,713
<b>Operating Cash Disbursements:</b>	
Personal services	138,274
Fringe benefits	53,550
Contractual services	141,611
Supplies and Materials	50,404
Other	137,547
Total Operating Cash Disbursements	<u>521,386</u>
Operating Income	213,327
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Special Assessments	34,022
Other Financing Sources	3,175
Capital Outlay	(4,087)
Principal	(40,000)
Interest	(15,535)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(22,425)</u>
Net Cash Receipts Over Cash Disbursements	190,902
<b>Fund Cash Balances, January 1</b>	<u>607,805</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 798,707</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$ 6,159</u></u>

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

**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**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.

**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**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 2011 and 2010. 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. 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 of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**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, 2011 and 2010.

A summary of 2011 and 2010 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.

I. FUND BALANCES

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**Note 1 – Summary of Significant Accounting Policies – (Cont’d)**

I. FUND BALANCES (Cont’d)

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

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

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

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

**Note 2 – Deposits 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:

	2011	2010
Demand Deposits	\$104,893	\$97,132
Repurchase Agreements	\$2,261,112	\$1,766,918
Total Deposits and Investments	\$2,366,005	\$1,864,050

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



**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 were as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$550,155	\$545,052	(\$5,103)
Special Revenue	\$233,640	\$288,377	\$54,737
Debt Service	\$44,941	\$22,779	(\$22,162)
Capital Projects	\$184,435	\$203,452	\$19,017
Enterprise	\$771,625	\$828,835	\$57,210
Total	<u>\$1,784,796</u>	<u>\$1,888,495</u>	<u>\$103,699</u>

2011 Budgeted vs. Actual Budgetary Basis of Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$477,727	\$417,419	\$60,308
Special Revenue	\$249,401	\$235,795	\$13,606
Debt Service	\$25,000	\$20,285	\$4,715
Capital Projects	\$285,000	\$153,451	\$131,549
Enterprise	\$720,600	\$578,491	\$142,109
Total	<u>\$1,757,728</u>	<u>\$1,405,441</u>	<u>\$352,287</u>

The amount of encumbrances for the General Fund, Special Revenue and Capital Projects for the year ended December 31, 2011 was \$1,510, \$12,001 and \$2,897, respectively.

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$550,155	\$544,898	(\$5,257)
Special Revenue	\$259,735	\$288,288	\$28,553
Debt Service	\$44,941	\$44,941	\$-
Capital Projects	\$184,435	\$184,387	(\$48)
Enterprise	\$791,343	\$771,910	(\$19,433)
Total	<u>\$1,830,609</u>	<u>\$1,834,424</u>	<u>\$3,815</u>

2010 Budgeted vs. Actual Budgetary Basis of Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$479,119	\$414,885	\$64,234
Special Revenue	\$235,202	\$199,769	\$35,433
Debt Service	\$25,000	\$19,718	\$5,282
Capital Projects	\$200,000	\$99,409	\$100,591
Enterprise	\$707,200	\$587,167	\$120,033
Total	<u>\$1,646,521</u>	<u>\$1,320,948</u>	<u>\$325,573</u>

**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**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.

**Note 6 – Debt Obligations**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Sewer Mortgage Revenue Bonds	\$ 260,000	2.65-5.25%
Ohio Public Works Commission	\$ 60,000	0%
West Main Street G.O. Bond	\$ 650,000	3.75-4.60%
Sewer Improvement Special Assessment	\$ 210,000	2.65-5.25%
Total	\$ 1,180,000	

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.

**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

**NOTE 6 – Debt Obligations (cont’d)**

Amortization of the above debt, including interest, follows:

Year Ending December 31	OPWC Loans	Sewer Mortgage Revenue Bond	Sewer System Improvement Special Assessment	West Main Street G.O. Bond
2012	\$ 5,000	\$ 47,450	\$ 19,910	\$ 78,060
2013	\$ 5,000	\$ 51,550	\$ 24,515	\$ 76,085
2014	\$ 5,000	\$ 49,450	\$ 23,900	\$ 74,085
2015	\$ 5,000	\$ 52,350	\$ 23,263	\$ 77,035
2016	\$ 5,000	\$ 49,988	\$ 22,610	\$ 74,753
2017-2021	\$ 25,000	\$ 52,625	\$ 107,693	\$ 380,263
2022-2024	\$ 10,000	-	\$ 66,230	\$ 73,220
	<u>\$ 60,000</u>	<u>\$ 303,413</u>	<u>\$ 288,121</u>	<u>\$ 833,501</u>

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2011 was \$158,209, which includes the principal balance of \$158,209 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 2.

**Note 7 - 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for 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, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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.

**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

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**Note 7 - Risk Management (Cont'd)**

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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$20,631,198	\$21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$11,213

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	
2011	\$12,057
2010	\$12,911

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 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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010 the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2011, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**Note 9 – 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, 2011, the custodian held \$88,846 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

**Village of Batavia, Ohio**  
*Clermont County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2011*

**Note 10 – Change in Accounting Principle and Fund Balances**

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement 54, fund balance reporting and Governmental fund type definitions.

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Outlay Fund for the year ended December 31, 2011 are presented as follows:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Outlay Funds	Total Governmental Funds
<i>Fund Balance</i>					
<b>Restricted for</b>					
Street Construction	\$0	\$142,178	\$0	\$0	\$142,178
Street II Construction	0	128,405	0	0	128,405
State Highway	0	15,841	0	0	15,841
Drug Law Enforcement	0	3,971	0	0	3,971
Permissive Motor Vehicle License	0	34,208	0	0	34,208
Law Enforcement and Education	0	2,186	0	0	2,186
Fire Special Revenue	0	7,393	0	0	7,393
EMS Special Revenue	0	12,549	0	0	12,549
Police Special Revenue	0	25	0	0	25
Beautify Special Revenue	0	1,814	0	0	1,814
Sewer Assessment	0	0	46,349	0	46,349
Fire Truck Debt	0	0	5,131	0	5,131
Capital Projects	0	0	0	269,316	269,316
Street Capital Projects	0	0	0	204,865	204,865
<b>Total Restricted</b>	<b>0</b>	<b>348,570</b>	<b>51,480</b>	<b>474,181</b>	<b>874,231</b>
<b>Committed</b>					
General Fund – Encumbrances	1,510	0	0	0	1,510
<b>Total Committed</b>	<b>1,510</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,510</b>
<b>Unassigned (Deficit)</b>	<b>438,720</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>438,720</b>
<b>Total Fund Balances</b>	<b>\$440,230</b>	<b>\$348,570</b>	<b>\$51,480</b>	<b>\$471,181</b>	<b>\$1,314,461</b>

**Note 11 – Restatement of Balances**

The Village's fund cash balances at January 1, 2010 have been restated for improper adjusting journal entries being recorded to the financial report. This adjustment resulted in the following changes in fund balances at January 1, 2010.

	General Fund	Special Revenue Funds	Capital Outlay Funds
Balance January 1, 2010	\$113,761	\$269,725	\$327,503
Reclassification of fund	65,930	(74,732)	8,802
<b>Restated Balance January 1, 2010</b>	<b>\$179,691</b>	<b>\$194,993</b>	<b>\$336,305</b>



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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

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

We have audited the financial statements of Village of Batavia, Clermont County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 18, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and that the Village implemented Governmental Accounting Standards Board Statement No. 54 during 2011. 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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

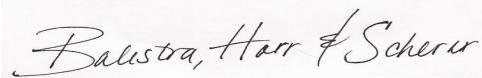
As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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*.

Village Council  
Village of Batavia, Clermont County  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards*  
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 18, 2012.

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 Village's management, the Village Council and other within the Village. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
May 18, 2012

**VILLAGE OF BATAVIA  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**FINDING NUMBER 2011-001**

**Significant Deficiency:**

Municipal income tax receipt allocations provided by Ordinance were not followed, in both fiscal years 2011 and 2010. Furthermore, the Village recorded debt payments in the wrong account code within the funds resulting in reclassifying adjustments during both fiscal years 2011 and 2010. The beginning fund balances were adjusted to improper adjusting journal entries. The accompanying financial statements had been adjusted to reflect the errors noted above.

The aforementioned errors were the result of a lack of internal controls over financial reporting.

The Village should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated.

**Client Response:**

Starting in 2012 all income tax money will be receipted into the General Fund and then transferred out by motion of Council. This will no longer be an issue.





# Dave Yost • 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  
OCTOBER 2, 2012