



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF BATAVIA
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 12, 2000

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**VILLAGE OF BATAVIA
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$45,536	\$98,835	\$22,768	\$1,482	\$567,463	\$736,084
Intergovernmental Receipts	142,752	116,735	3,651	248,567		511,705
Charges for Services	7,660					7,660
Fines, Licenses, and Permits	36,191	300				36,491
Earnings on Investments	16,845	15,050				31,895
Miscellaneous	351	1,021				1,372
Total Cash Receipts	249,335	231,941	26,419	250,049	567,463	1,325,207
Cash Disbursements:						
Current:						
Security of Persons and Property	219,538	18,118				237,656
Public Health Services	8,200	68,239				76,439
Transportation	1,640	112,743				114,383
General Government	120,574	56,267			13,479	190,320
Debt Service:						
Principal Payments			86,000			86,000
Interest Payments			3,977			3,977
Financing and Other Debt-Service Related			385			385
Capital Outlay	11,180	110,200	0	615,593		736,973
Total Disbursements	361,132	365,567	90,362	615,593	13,479	1,446,133
Total Receipts Over/(Under) Disbursements	(111,797)	(133,626)	(63,943)	(365,544)	553,984	(120,926)
Other Financing Receipts/(Disbursements):						
Sale of Bonds and Notes			63,000	120,000		183,000
Transfers-In	173,256	67,067		318,569		558,892
Other Financing Sources		2,209				2,209
Other Financing Uses				(29,866)	(10,673)	(40,539)
Transfers-Out					(558,892)	(558,892)
Total Other Financing Receipts/(Disbursements)	173,256	69,276	63,000	408,703	(569,565)	144,670
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	61,459	(64,350)	(943)	43,159	(15,581)	23,744
Fund Cash Balances, January 1	51,919	202,311	15,807	140,940	25,629	436,666
Fund Cash Balances, December 31	\$113,378	\$138,021	\$14,864	\$184,099	\$10,048	\$460,410
Reserves for Encumbrances, December 31	\$7,095	\$5,549	\$0	\$14,462	\$158	\$27,264

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

**VILLAGE OF BATAVIA
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$541,184
Total Operating Cash Receipts	541,184
Operating Cash Disbursements:	
Personal Services	90,703
Contractual Services	323,021
Supplies and Materials	53,684
Capital Outlay	82,966
Total Operating Cash Disbursements	550,374
Operating Income/(Loss)	(9,190)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	851
Proceeds from Notes and Bonds	180,000
Other Non-Operating Receipts	6,443
Total Non-Operating Cash Receipts	187,294
Non-Operating Cash Disbursements:	
Debt Service	58,238
Other Non-Operating Cash Disbursements	2,960
Total Non-Operating Cash Disbursements	61,198
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	116,906
Transfers-In	6,504
Transfers-Out	(6,504)
Net Receipts Over/(Under) Disbursements	116,906
Fund Cash Balances, January 1	80,015
Fund Cash Balances, December 31	\$196,921
Reserve for Encumbrances, December 31	\$55,919

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

**VILLAGE OF BATAVIA
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$45,713	\$86,972	\$22,856	\$221	\$506,332	\$662,094
Intergovernmental Receipts	139,594	125,731	2,813	236,767		504,905
Charges for Services	7,204					7,204
Fines, Licenses, and Permits	27,791	450				28,241
Earnings on Investments	8,722	13,401				22,123
Miscellaneous		657		5,363	60	6,080
Total Cash Receipts	229,024	227,211	25,669	242,351	506,392	1,230,647
Cash Disbursements:						
Current:						
Security of Persons and Property	228,644	25,129				253,773
Public Health Services	8,843	56,030				64,873
Transportation	1,650	150,319				151,969
General Government	122,243				13,995	136,238
Debt Service:						
Principal Payments			109,000			109,000
Interest Payments			5,013			5,013
Financing and Other Debt-Service Related			390			390
Capital Outlay	16,693	74,043		411,770		502,506
Total Disbursements	378,073	305,521	114,403	411,770	13,995	1,223,762
Total Receipts Over/(Under) Disbursements	(149,049)	(78,310)	(88,734)	(169,419)	492,397	6,885
Other Financing Receipts/(Disbursements):						
Sale of Notes			86,000			86,000
Sale of Fixed Assets	1,300					1,300
Transfers-In	147,962	58,276		272,058		478,296
Other Financing Sources	8,274	16,627				24,901
Other Financing Uses				(26,718)	(16,518)	(43,236)
Transfers-Out	(1,000)				(477,296)	(478,296)
Total Other Financing Receipts/(Disbursements)	156,536	74,903	86,000	245,340	(493,814)	68,965
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,487	(3,407)	(2,734)	75,921	(1,417)	75,850
Fund Cash Balances, January 1	44,432	205,778	18,541	65,019	27,046	360,816
Fund Cash Balances, December 31	\$51,919	\$202,371	\$15,807	\$140,940	\$25,629	\$436,666
Reserves for Encumbrances, December 31	\$612	\$70	\$0	\$460,339	\$0	\$461,021

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

**VILLAGE OF BATAVIA
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$482,713
Total Operating Cash Receipts	482,713
Operating Cash Disbursements:	
Personal Services	77,639
Contractual Services	296,584
Supplies and Materials	65,105
Total Operating Cash Disbursements	439,328
Operating Income/(Loss)	43,385
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	861
Other Non-Operating Receipts	5,545
Total Non-Operating Cash Receipts	6,406
Non-Operating Cash Disbursements:	
Debt Service	60,067
Other Non-Operating Cash Disbursements	2,000
Total Non-Operating Cash Disbursements	62,067
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(12,276)
Transfers-In	6,504
Transfers-Out	(6,504)
Net Receipts Over/(Under) Disbursements	(12,276)
Fund Cash Balances, January 1	92,291
Fund Cash Balances, December 31	\$80,015
Reserve for Encumbrances, December 31	\$19,364

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

**VILLAGE OF BATAVIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Village funds are deposited in a public funds checking account with a local commercial bank. Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

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

VILLAGE OF BATAVIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

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

4. Capital Project Funds

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

Clough Street Fund - This fund receives Issue 2 monies for the Clough Street Project.

Wood Street Fund - This fund receives Issue 2 monies for the Wood Street Project.

5. Enterprise Funds

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

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

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

6. Fiduciary Funds (Expendable Trust Funds)

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

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

E. Budgetary Process

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

**VILLAGE OF BATAVIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber certain commitments required by Ohio law at year end. However, a review was performed to determine the amount of additional encumbrances outstanding at year end which were not recorded. These additional encumbrances were added to the financial statements.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 107,331	\$ 316,681
Certificates of deposit	<u>550,000</u>	<u>200,000</u>
Total deposits	<u>\$ 657,331</u>	<u>\$ 516,681</u>

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

VILLAGE OF BATAVIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 380,076	\$ 422,591	\$ 42,515
Special Revenue	293,436	301,217	7,781
Debt Service	76,600	89,419	12,819
Capital Projects	860,497	688,618	(171,879)
Enterprise	810,220	734,982	(75,238)
Fiduciary	569,000	567,463	(1,537)
Total	\$ 2,989,829	\$ 2,804,290	\$ (185,539)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 419,520	\$ 368,227	\$ 51,293
Special Revenue	403,525	371,116	32,409
Debt Service	91,720	90,362	1,358
Capital Projects	939,300	659,921	279,379
Enterprise	766,654	673,995	92,659
Fiduciary	583,550	583,202	348
Total	\$ 3,204,269	\$ 2,746,823	\$ 457,446

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 370,486	\$ 386,560	\$ 16,074
Special Revenue	268,055	302,114	34,059
Debt Service	119,753	111,669	(8,084)
Capital Projects	1,132,825	514,409	(618,416)
Enterprise	498,000	495,623	(2,377)
Fiduciary	499,000	506,392	7,392
Total	\$ 2,888,119	\$ 2,316,767	\$ (571,352)

VILLAGE OF BATAVIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 412,535	\$ 379,685	\$ 32,850
Special Revenue	367,500	305,591	61,909
Debt Service	114,850	114,403	447
Capital Projects	1,293,124	898,827	394,297
Enterprise	570,004	527,263	42,741
Fiduciary	509,490	507,809	1,681
Total	\$ 3,267,503	\$ 2,733,578	\$ 533,925

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Fire Equipment Oblg. Bond Anticipation Notes	\$ 63,000	4.30%
Sewer Revenue Bonds	499,750	5.25 - 6.50%
Street Improvement Oblg. Bond Anticipation Notes	120,000	3.875%
Sewer Improvement Oblg. Bond Anticipation Notes	180,000	4.19%
Total	\$ 862,750	

The Ohio Fire Equipment Obligation Bond Anticipation Notes were issued on May 27, 1999, for the purchase of a new Village fire truck. The note will be repaid over three years with not less than the principal amount of \$21,000 being paid annually. The final note will mature on May 24, 2002.

VILLAGE OF BATAVIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. DEBT (Continued)

The Sewer Improvement Obligation Bond Anticipation Note was issued on July 14, 1999 for the improvement of the Village's sewer system. The note will mature on July 13, 2000 with not less than the principal amount of \$180,000 being paid.

The Street Improvement Obligation Bond Anticipation Note was issued on February 24, 1999 for the improvement of the Village's streets. The note will mature on February 24, 2000 with not less than the principal amount of \$120,000 being paid.

The Mortgage Revenue Bonds were issued in December 1992 for the improvement of the Village sewer system. The notes will be repaid in one of a series of twenty bonds as follows: \$20,000 (4); 25,000 (3); 30,000 (3); 35,000 (3); 40,000 (2); 50,000 (2), including interest of 5.25% for the first four years, 6% for the next five years, 6.25% for the next four years, and 6.50% for the last six years. The bonds will mature annually through December 2012.

Noncompliance with Bond Covenant

Provisions within the First Mortgage Sewer System Revenue Bonds, Series 1992 state that "the Village at all times will charge rates for the services of the system. The revenues from the system should at least equal, after meeting such operation and maintenance expenses, 115% of the largest amount of principal and interest debt service requirements necessary in any succeeding year to meet interest and principal maturities of all bonds secured solely by revenues of the System."

The Village did not comply with this covenant. For 1998, the Bond covenant required the Sewer System to have an operating income of \$67,317; however, the Sewer System had only had \$46,547 reported as operating income. For 1999, the Bond covenant required the Sewer System to have an operating income of \$65,248; however, the Sewer System had operating income of \$42,730.

The possible effects of the Village's noncompliance with the bond covenants include acceleration of the payment of bond principal upon written request of holders of at least 25% in bond principal. As of the date of the audit opinion, no bond holders have requested accelerated of the payment of the principal.

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

Year ending December 31:	General Obligation Notes	General Obligation Notes	General Obligation Notes	Sewer Revenue Bonds
2000	\$ 124,650	\$ 21,903	\$ 187,542	\$ 56,738
2001	0	21,903	0	60,238
2002	0	21,903	0	58,438
2003	0	0	0	56,638
2004	0	0	0	59,763
Subsequent	0	0	0	460,238
Total	<u>\$ 124,650</u>	<u>\$ 65,709</u>	<u>\$ 187,542</u>	<u>\$ 752,053</u>

VILLAGE OF BATAVIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

On May 8, 2000, judgement was entered in favor of Clermont County and against the Village of Batavia in the amount of \$247,500 together with interest at 10% per annum from June 1, 1995. The Village is appealing this judgement.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 1999-30413-001, 1999-30413-002 and 1999-30413-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated June 12, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 12, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 12, 2000

**VILLAGE OF BATAVIA
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30413-001

Noncompliance Citation

The Village Ordinance 725-84 states that an employee who has worked for the village for one year shall be entitled to one week or forty hours of paid vacation. Timothy Thieman was paid for fifty-six hours of vacation taken during calendar year 1999. However, he had only worked for the Village for a year. Therefore, sixteen hours or \$172.64 was overpaid.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Timothy Thieman, and in favor of the Village of Batavia, in the amount of one hundred seventy-two dollars and sixty-four cents. This was repaid under audit by reducing his current vacation balance.

FINDING NUMBER 1999-30413-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all year-end commitments. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. Due to not certifying all year end commitments, incorrect amounts were certified to the County Auditor for January 1, 1998 and 1999.

FINDING NUMBER 1999-30413-003

Noncompliance With Bond Covenants Related to the Sewer Fund

Provisions within the First Mortgage Sewer System Revenue Bonds, Series 1992 state that “the Village at all times will charge rates for the services of the system. The revenues from the system should at least equal, after meeting such operation and maintenance expenses, 115% of the largest amount of principal and interest debt service requirements necessary in any succeeding year to meet interest and principal maturities of all bonds secured solely by revenues of the System.”

The Village did not comply with this covenant. For 1998, the Bond covenant required the Sewer System to have an operating income of \$67,317; however, the Sewer System had only had \$46,547 reported as operating income. For 1999, the Bond covenant required the Sewer System to have an operating income of \$65,248; however, the Sewer System had operating income of \$42,730.

The possible effects of the Village’s noncompliance with the bond covenants include acceleration of the payment of bond principal upon written request of holders of at least 25% in bond principal. As of the date of the audit opinion, no bond holders have requested accelerated of the payment of the principal.

We recommend that the Village assess their rates and increase if necessary to comply with the revenue requirement established in the debt covenant.



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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
AUGUST 8, 2000**