



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**BATAVIA TOWNSHIP
CLERMONT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Batavia Township
Clermont County
1535 Clough Pike
Batavia, Ohio 45103

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprises the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia Township, Clermont County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Gasoline Tax and Road and Bridge Funds and thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of the Township'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

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

December 21, 2006

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Ohio Local Government's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2005, within the limitations of the Government's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$580,043, or 14.4 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds.

The Township's general receipts are primarily property taxes. These receipts represent 36 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004.

In February 2005, an auxiliary Maintenance facility on River Street in the Village of Batavia was sold for \$ 108,000. This facility was declared a surplus and not used much anymore by the Maintenance Department.

Also in February 2005, the Board of Trustees passed a resolution declaring Batavia Township a limited Home Rule entity.

In May 2005, the Township purchased approximately 72 acres at 1535 Clough Pike at a cost of \$1,317,895. This land was purchased by cash out of the General Fund. In 2004, the Board of Trustees considered a significant addition to the Township Hall at 2401 Old State Route 32, due to increasing need for space for administration and fire department businesses needs. Upon purchase of the Clough property, it became a consideration that it may be just as economical to go with a design build concept Administration Facility on the Clough Pike property for Township business use. Several designs and bids were considered prior to awarding the contract for the building to Cincinnati United Contractors. Ground breaking was in September 2005 and estimated completion date of March 2006. Total cost bid is \$1,373,250. Bonds amounting to \$ 1,000,000 were publicly sold through 5/3 Bank to fund the major cost of the building project. The remainder is to be funded from Township cash resources. Future consideration for uses of the property may include a park, cemetery and approximately 4 acres for fire department facilities. Some funding for future projects may come from government grants.

Simultaneously, at 2401 Old State Route 32, a 62'x80' addition to the Maintenance Department garage facilities was underway. This contract was awarded to Dutch Mullin Construction. Original cost of this addition was bid at \$196,911. The estimated completion date is January 2006.

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Highlights
(Continued)

In late 2005, the Board decided to release approximately \$375,828 accumulated in Township Fire and EMS funds to Central Joint Fire & EMS District for their use. This included \$150,450 out of the General Fund from prior sale of property on Main Street in the Village of Batavia that was used as a Fire and EMS facility in prior years. The Trustees voted to turn over all funds accumulated in all the Fire & EMS funds (and also what was received in 2005) to be appropriated and turned over to the Fire District in 2005 for their needs.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the township-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Government did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

The statement of net assets and the statement of activities, presents the Township's financial information as Governmental activities. The Township's basic services include general government services, streets and cemetery maintenance. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All the funds of the Township are classified as governmental.

The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax, Road & Bridge Fund and Miscellaneous Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>
	<u>2005</u>
Assets	
Cash and Cash Equivalents	3,445,218
Total Assets	<u>\$3,445,218</u>
Net Assets	
Restricted for:	
Capital Outlay	1,097,557
Road & Bridge	878,168
Other Purposes	926,869
Unrestricted	<u>542,624</u>
Total Net Assets	<u>\$3,445,218</u>

The primary reasons contributing to the decreases in cash balances as well as current and capital/building projects mentioned earlier in this report are as follows:

- Anticipated growth in the Township continues. Marked increases in new home construction permits issued. Tax abatements were granted for some existing businesses in the Township for improvements/additions to their facilities.
- Increases in salaries ranging from 2% to 5% were implemented in October 2005 after yearly personnel evaluations. Part time Zoning Inspector, Frank Heikenfeld, retired in April 2005 and his replacement was employed in January 2005. Dave Shepard is our new full-time Zoning Inspector for the Township.
- At mid-year, the Board of Trustees passed a consent decree to settle a lawsuit pending against the Township on a Zoning issue. This would account for some increase in legal fees and will affect our liability insurance rates in the near future.
- The Township had several streets that were in poor condition that needed repairs costing in \$140,040 for these repairs. This is done on a rotating schedule basis as a fair means of continuing road maintenance. Catch basins/storm drains in some of the newer subdivisions were noted to have some problems with upheavals and distortions. This was remedied by the original installing company at no cost to the Township.
- The Maintenance Department purchased a new Ford Utility/Dump Bed truck for its use. This was paid for with Gasoline Tax funds. The cost for this vehicle was \$50,375.

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole
(Continued)

- Health benefit costs continue to be an issue. It was voted by the Board to accept an approximately 25% increase in premium cost to stay with our current coverage for the remainder of the year. This increase took effect in June 2005. There is still no cost to the employee at this point. This continuing increase in cost will be a major consideration for 2006.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis may be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$116,495
Operating Grants and Contributions	232,995
Capital Grants and Contributions	50,665
Total Program Receipts	400,155
General Receipts:	
Property and Other Local Taxes	805,855
Sale of Fixed Assets	108,000
Grants and Entitlements Not Restricted to Specific Programs	148,566
Interest	58,143
Miscellaneous	95,008
Bond Proceeds	1,002,387
Total General Receipts	2,217,959
Total Receipts	2,618,114
Disbursements:	
General Government	692,755
Security of Persons and Property:	31,623
Public Health Services	220,392
Public Works	511,415
Capital Outlay	1,741,972
Total Disbursements	3,198,157
Increase (Decrease) in Net Assets	(580,043)
Net Assets, January 1, 2004	4,025,261
Net Assets, December 31, 2004	\$3,445,218

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole
(Continued)

General receipts represent 84.7 percent of the Government's total receipts, and of this amount, over 36 percent are local taxes. State and federal grants and entitlements make up the balance of the Government's general receipts (6.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Public Works is the cost of maintaining the roads. The Central Joint Fire & EMS District remains the Township's source of Fire and EMS protection. Deputy Boerger is the Township's contracted deputy through the Clermont County Sheriff's Department.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. General government also represents a significant cost. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$692,755	(\$546,065)
Security of Persons and Property	31,623	(31,623)
Public Health Services	220,392	(203,264)
Public Works	511,415	(275,078)
Capital Outlay	1,741,972	(1,741,972)
Other	0	
Total Expenses	\$3,198,157	(\$2,798,002)

The dependence upon property and income tax receipts is apparent as over 28 percent of governmental activities are supported through these general receipts.

Business-type Activities

The Township currently does not employ any business-type activities.

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township's Funds

Total governmental funds had receipts of \$1,507,727 and disbursements of \$3,198,157. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased from 53 percent of total funds to approximately 16 percent of total funds as the result of increased expenditures for purchase of property, building projects, attorney fees, and salaries and benefits.

Road & Bridge funds had appropriated considering items described in the previous section regarding streets needing repair. Also, in the first section, appropriations were made to fund the addition to the Maintenance facility at 2401 Old St. Rt. 32.

Gasoline Tax funds are appropriated and spent on township yearly road projects or new equipment or vehicles.

Miscellaneous Capital Projects were appropriated to fund the new Community Center at 1535 Clough Pike.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts were as listed.

Final disbursements were budgeted at \$2,813,050 while actual disbursements were \$2,303,193. Although receipts failed to live up to expectations, appropriations were not reduced. The Township kept spending as close as possible to budgeted amounts as demonstrated by the reported variances. The result is the decrease in fund balance for 2005.

Capital Assets and Debt Administration

Capital Assets

The Township currently keeps track of its assets utilizing inventory software provided with the UAN accounting package.

Debt

At December 31, 2005, the Township's outstanding debt included \$ 1,000,000 in general obligation bonds issued for construction of a Community Center/Administration Building on the land purchased for Township use earlier this year. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

Batavia Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and light industry to support our tax base. We reviewed our sources of revenue and determined that major increases were unlikely.

The Board passed a Resolution in August 2005 to charge a 3% permissive tax for hotel rooms in the Township. This took effect in the last quarter of 2005 for the one hotel to date in the Township and covers any future hotels/motels in the Township. Income won't be realized until after the first of the year and will be remitted to us from the County Auditor on a quarterly basis.

In December 2005, the Township reached an agreement with the County Commissioners over TIF funds the County would receive from property in county TIF districts that exist in Batavia Township. This is an attempt to make the Township "whole" with regards to the acute loss of property tax income from these districts. However, this can only be accounted for in Capital Improvements and Infrastructure within Batavia Township.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jennifer Haley, Fiscal Officer, Batavia Township, or Rex Parsons, Township Administrator, 1535 Clough Pike, Batavia, Ohio 45103.

BATAVIA TOWNSHIP, CLERMONT COUNTY

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,445,218
<i>Total Assets</i>	<u><u>\$3,445,218</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,097,557
Road & Bridge	878,168
Other Purposes	926,869
Unrestricted	542,624
<i>Total Net Assets</i>	<u><u>\$3,445,218</u></u>

See accompanying notes to the basic financial statements

BATAVIA TOWNSHIP, CLERMONT COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$692,755	\$99,367	\$47,323	\$0	(\$546,065)
Public Safety	31,623	0	0	0	(31,623)
Public Works	511,415	0	185,672	50,665	(275,078)
Health	220,392	17,128	0	0	(203,264)
Capital Outlay	1,741,972	0	0	0	(1,741,972)
<i>Total Governmental Activities</i>	<u>3,198,157</u>	<u>116,495</u>	<u>232,995</u>	<u>50,665</u>	<u>(2,798,002)</u>
General Receipts					
Property Taxes					798,630
Other Taxes					7,225
Grants and Entitlements not Restricted to Specific Programs					148,566
Sale of Bonds					1,000,000
Other Debt Proceeds					2,387
Sale of Fixed Assets					108,000
Earnings on Investments					58,143
Miscellaneous					95,008
<i>Total General Receipts</i>					<u>2,217,959</u>
Change in Net Assets					(580,043)
<i>Net Assets Beginning of Year</i>					<u>4,025,261</u>
<i>Net Assets End of Year</i>					<u><u>\$3,445,218</u></u>

See accompanying notes to the basic financial statements

BATAVIA TOWNSHIP, CLERMONT COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	MISC CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$542,624	\$358,048	\$878,168	\$1,097,557	\$568,821	\$3,445,218
<i>Total Assets</i>	<u>\$542,624</u>	<u>\$358,048</u>	<u>\$878,168</u>	<u>\$1,097,557</u>	<u>\$568,821</u>	<u>\$3,445,218</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$0	\$0	\$184,932	\$1,095,170	\$0	\$1,280,102
Unreserved:						
Undesignated, Reported in:						
General Fund	542,624	0	0	0	0	542,624
Special Revenue Funds	0	358,048	693,236	0	568,821	1,620,105
Capital Projects Funds	0	0	0	2,387	0	2,387
<i>Total Fund Balances</i>	<u>\$542,624</u>	<u>\$358,048</u>	<u>\$878,168</u>	<u>\$1,097,557</u>	<u>\$568,821</u>	<u>\$3,445,218</u>

See accompanying notes to the basic financial statements

BATAVIA TOWNSHIP, CLERMONT COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2005

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	MISC CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$279,890	\$0	\$518,740	\$0	\$7,225	\$805,855
Licenses, Permits and Fees	0	0	0	0	110,819	110,819
Intergovernmental	192,598	109,387	59,490	0	70,752	432,227
Earnings on Investments	47,006	4,337	0	0	6,800	58,143
Miscellaneous	72,313	0	9,892	0	18,478	100,683
Total Receipts	591,807	113,724	588,122	0	214,074	1,507,727
Disbursements						
Current:						
General Government	464,416	0	9,870	155,080	63,389	692,755
Public Safety	31,088	0	0	0	535	31,623
Public Works	14,152	0	342,794	0	154,469	511,415
Health	220,392	0	0	0	0	220,392
Capital Outlay	1,322,895	50,375	138,424	28,112	202,166	1,741,972
Total Disbursements	2,052,943	50,375	491,088	183,192	420,559	3,198,157
Excess of Receipts Over (Under) Disbursements	(1,461,136)	63,349	97,034	(183,192)	(206,485)	(1,690,430)
Other Financing Sources (Uses)						
Sale of Bonds	0	0	0	1,000,000	0	1,000,000
Other Debt Proceeds	0	0	0	2,387	0	2,387
Sale of Fixed Assets	108,000	0	0	0	0	108,000
Transfers In	0	0	0	250,250	0	250,250
Transfers Out	(250,250)	0	0	0	0	(250,250)
Total Other Financing Sources (Uses)	(142,250)	0	0	1,252,637	0	1,110,387
Net Change in Fund Balances	(1,603,386)	63,349	97,034	1,069,445	(206,485)	(580,043)
Fund Balances Beginning of Year	2,146,010	294,699	781,134	28,112	775,306	4,025,261
Fund Balances End of Year	\$542,624	\$358,048	\$878,168	\$1,097,557	\$568,821	\$3,445,218

See accompanying notes to the basic financial statements

BATAVIA TOWNSHIP, CLERMONT COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$267,475	\$267,475	\$279,890	\$12,415
Intergovernmental	262,257	262,257	192,598	(69,659)
Earnings on Investments	22,100	22,100	47,006	24,906
Miscellaneous	17,500	73,418	72,313	(1,105)
<i>Total receipts</i>	<u>569,332</u>	<u>625,250</u>	<u>591,807</u>	<u>(33,443)</u>
Disbursements				
Current:				
General Government	559,050	575,800	464,416	111,384
Public Safety	35,500	35,500	31,088	4,412
Public Works	46,000	46,000	14,152	31,848
Health	77,500	229,450	220,392	9,058
Capital Outlay	1,555,000	1,478,450	1,322,895	155,555
<i>Total Disbursements</i>	<u>2,273,050</u>	<u>2,365,200</u>	<u>2,052,943</u>	<u>312,257</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,703,718)</u>	<u>(1,739,950)</u>	<u>(1,461,136)</u>	<u>(345,700)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	0	108,000	108,000
Transfers Out	0	(448,300)	(250,250)	(198,050)
Other Financing Sources	29,500	29,500	0	(29,500)
Other Financing Uses	(40,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(10,500)</u>	<u>(418,800)</u>	<u>(142,250)</u>	<u>(119,550)</u>
<i>Net Change in Fund Balance</i>	<u>(1,714,218)</u>	<u>(2,158,750)</u>	<u>(1,603,386)</u>	<u>(465,250)</u>
<i>Fund Balance Beginning of Year</i>	<u>2,146,010</u>	<u>2,146,010</u>	<u>2,146,010</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>431,792</u>	<u>(12,740)</u>	<u>542,624</u>	<u>(465,250)</u>

See accompanying notes to the basic financial statements

BATAVIA TOWNSHIP, CLERMONT COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	89,100	110,653	109,387	(1,266)
Earnings on Investments	2,850	2,850	4,337	1,487
<i>Total receipts</i>	<u>91,950</u>	<u>113,503</u>	<u>113,724</u>	<u>221</u>
Disbursements				
Current:				
Public Works	90,000	39,625	0	39,625
Capital Outlay	35,000	85,375	50,375	35,000
<i>Total Disbursements</i>	<u>125,000</u>	<u>125,000</u>	<u>50,375</u>	<u>74,625</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,050)</u>	<u>(11,497)</u>	<u>63,349</u>	<u>(74,404)</u>
<i>Net Change in Fund Balance</i>	<u>(33,050)</u>	<u>(11,497)</u>	<u>63,349</u>	<u>(74,404)</u>
<i>Fund Balance Beginning of Year</i>	<u>294,699</u>	<u>294,699</u>	<u>294,699</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$261,649</u>	<u>\$283,202</u>	<u>\$358,048</u>	<u>(\$74,404)</u>

See accompanying notes to the basic financial statements

BATAVIA TOWNSHIP, CLERMONT COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$508,925	\$508,925	\$518,740	\$9,815
Intergovernmental	46,150	71,718	59,490	(12,228)
Miscellaneous	900	900	9,892	8,992
<i>Total receipts</i>	555,975	581,543	588,122	6,579
Disbursements				
Current:				
General Government	0	0	9,870	(9,870)
Public Works	472,500	472,692	342,794	129,898
Capital Outlay	375,000	375,000	138,424	236,576
<i>Total Disbursements</i>	847,500	847,692	491,088	356,604
<i>Excess of Receipts Over (Under) Disbursements</i>	(291,525)	(266,149)	97,034	(350,025)
<i>Net Change in Fund Balance</i>	(291,525)	(266,149)	97,034	(350,025)
<i>Fund Balance Beginning of Year</i>	780,942	780,942	780,942	0
Prior Year Encumbrances Appropriated	192	192	192	0
<i>Fund Balance End of Year</i>	\$489,609	\$514,985	\$878,168	(\$350,025)

See accompanying notes to the basic financial statements

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Batavia Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Batavia Township, Clermont County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance.

The Township participates in the Central Joint Fire-EMS District, which is a jointly governed organization. A jointly governed organization is governed by representative from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. The Central Joint Fire-EMS District started operations January 1, 2002. The District is directed by an appointed five-member Board of Trustees. Two board members are appointed by each political subdivision within the District. Those subdivisions are Batavia Township, Batavia Village and an at large appointee. The District provides fire protection and rescue services within the Village of Batavia, Batavia Township and by contract to the Village of Amelia, which is outside the District.

C. Jointly Governed Organization/Risk Pool

The Township participates in one jointly governed organization and one public entity risk pool. Notes 14 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

Central Joint Fire-EMS District

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA)

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's only major governmental funds are the General Fund, Gasoline Tax, Road and Bridge Fund and Miscellaneous Capital Projects Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund received tax monies for maintenance of Township Roads. The Road and Bridge Fund receives property tax money for constructing, maintaining and repairing Township Roads. The Miscellaneous Capital Projects fund receives monies for the construction of the new administration building.

Note 2 – Summary of Significant Accounting Policies (Continued)

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Note 2 – Summary of Significant Accounting Policies (Continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$ 47,006.

F. Capital Assets

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

G. Accumulated Leave

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance and increases in both health benefits and salaries.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated in the statement of activities. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Accountability and Compliance

Compliance

Contrary to Ohio law, the Miscellaneous Capital Projects Fund had the following compliance issues for the year ended December 31, 2005:

- Budgetary expenditures exceeded appropriation by \$247,863
- Appropriations exceeded total estimated revenue by \$1,002,387.

Also contrary to Ohio law, estimated receipts exceeded actual receipts in the Bond Fund by \$1,002,387 for the year ended December 31, 2005. This was due to the amended certificate placing bond proceeds in the Bond Fund, but actual receipts were received and expended from the Miscellaneous Capital Projects Fund.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund (and any major special revenue funds) are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 0 for the general and gasoline tax funds and \$184,932 for the road and bridge fund.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Batavia Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 - Deposits and Investments (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2005, \$2,164,284 of the Township's deposits were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Batavia Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 7 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$ 2.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 266,210,850
Agriculture	7,517,780
Commercial/Industrial/Mineral	104,644,710
Public Utility Property	
Real	
Personal	12,525,470
Tangible Personal Property	35,026,776
Total Assessed Value	<u>\$ 425,925,586</u>

Note 8 – Risk Management

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

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

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Batavia Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – Risk Management (Continued)

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

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$42,092.

Note 9 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$ 49,026.96, \$ 44,683.99, and \$ 21,589.19 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$ 49,026.96 made by the Township and \$ 30,755.23 made by the plan members.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

Batavia Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 10 - Postemployment Benefits (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11 – Debt

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2005 Issue (Original Amount)	3%	\$0	\$1,000,000	\$0	\$1,000,000	\$25,000

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

Batavia Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 11 – Debt (Continued)

The following is a summary of the Township’s future annual debt service requirements:

Year	G.O. Bonds	
	Principal	Interest
2006	\$25,000	\$50,714
2007	35,000	42,411
2008	35,000	41,361
2009	40,000	40,311
2010	40,000	39,071
2011 – 2015	215,000	174,514
2016 – 2020	270,000	124,939
2021 – 2025	340,000	51,113
Totals	\$1,000,000	\$564,434

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$20,732,233 and an unvoted debt margin of \$39,579,717.

Note 12 – Interfund Transfers

During 2005, the following transfers were made:

Transfers from the General Fund to:	
Miscellaneous Capital Projects Fund	\$250,250

Transfers represent the financing of the new township administration building in accordance with budgetary authorizations.

Note 13– Construction and Contractual Commitments

As of December 31, 2005, the Township had the following significant construction projects that will be financed through the Road and Bridge and Miscellaneous Capital Projects Funds:

Project	Remaining Construction Commitment
Construct Maintenance Building	\$109,884
Admin Building	1,170,027

Note 14 – Jointly Governed Organizations

The Township participates in the Central Joint Fire-EMS District, which is a jointly governed organization. A jointly governed organization is governed by representative from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. The Central Joint Fire-EMS District started operations January 1, 2002. The District is directed by an appointed five-member Board of Trustees. Two board members are appointed by each political subdivision within the District. Those subdivisions are Batavia Township, Batavia Village and an at large appointee. The District provides fire protection and rescue services within the Village of Batavia, Batavia Township and by contract to the Village of Amelia, which is outside the District.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Batavia Township
Clermont County
1535 Clough Pike
Batavia, Ohio 45103

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Batavia Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 2005, and have issued our report thereon dated December 21, 2006, wherein we noted the Township followed an accounting basis other than the accounting principles generally accepted in the United States of America. We also we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated December 21, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 several instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of as items 2005-001 and 2005-002. In a separate letter to the Township's management dated December 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242

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Batavia Township
Clermont County
Independent Accountants' 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 audit committee, management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 21, 2006

**BATAVIA TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures exceeded appropriations at the legal level of control at December 31, 2005:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
Miscellaneous Capital Projects Fund	\$1,030,499	\$1,278,362	(\$247,863)

Allowing expenditures to exceed appropriations could result in negative fund balances and the use of Township resources required for other services. We recommend that the Township monitor expenditures and appropriations.

Officials' Response:

We received the following response from the Township fiscal officer:

- These additional expenditures were covered by transfer from the General Fund in which \$ 250,250 was originally appropriated from the General Fund to fund (in part) the Capital Project (new Community Center) at 1535 Clough Pike. This is specified in Resolution 9-02-2005, dated September 20, 2005. The answer to the above finding is that I made a clerical posting error on my part.

FINDING NUMBER 2005-002

Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In addition, Ohio Rev. Code, Section 5705.36(A)(2), allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Township had estimated receipts exceeding actual receipts in the Bond Fund by \$1,002,387 at December 31, 2005. This was due to the amended certificate placing bond proceeds in the Bond Fund, but actual receipts were receipted and expended from the Miscellaneous Capital Projects Fund. Therefore, the Township had appropriations exceeding estimated resources in the Miscellaneous Capital Projects Fund by \$1,002,387 at December 31, 2005.

Failure to properly monitor budgetary activity could result in negative fund balances. We recommend that the Township monitor budgetary activity on a regular basis and review amended certificates that the monies are shown in the correct funds.

**FINDING NUMBER 2005-002
(Continued)**

Officials' Response:

We received the following response from the Township fiscal officer:

- Obviously the Township amended certificate filed in late 2005, does not accurately reflect the fund posting. The \$ 1,002,387 was the exact amount received from the sale of public bonds sold. The answer to the above finding is a posting error on my part, therefore the amended certificate differs from the County Auditor's records.



**Auditor of State
Betty Montgomery**

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BATAVIA TOWNSHIP

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
JANUARY 16, 2007**