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Certified Public Accountants, A.C.

**VILLAGE OF BATAVIA
CLERMONT COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Batavia, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 12, 2016

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VILLAGE OF BATAVIA
CLERMONT COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 10, 2016

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Batavia**, Clermont County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Batavia, Clermont County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 70,579	\$ 29,494	\$ -	\$ -	\$ 100,073
Municipal Income Tax	1,439,511	-	-	-	1,439,511
Intergovernmental	55,967	66,059	-	-	122,026
Special Assessments	-	-	13,071	2,173	15,244
Charges for Services	152	-	-	-	152
Fines, Licenses and Permits	25,149	3,790	-	-	28,939
Earnings on Investments	2,526	283	-	-	2,809
Miscellaneous	13,359	3,405	-	130,000	146,764
<i>Total Cash Receipts</i>	<u>1,607,243</u>	<u>103,031</u>	<u>13,071</u>	<u>132,173</u>	<u>1,855,518</u>
Cash Disbursements					
Current:					
Security of Persons and Property	437,885	6,995	-	-	444,880
Leisure Time Activities	-	1,650	-	-	1,650
Public Health Services	18,127	-	-	-	18,127
Community Environment	-	3,759	-	-	3,759
Transportation	-	431,390	-	-	431,390
General Government	256,343	-	-	-	256,343
Capital Outlay	-	-	-	327,374	327,374
Debt Service:					
Principal Retirement	-	-	15,000	239,360	254,360
Interest and Fiscal Charges	-	-	8,367	86,186	94,553
<i>Total Cash Disbursements</i>	<u>712,355</u>	<u>443,794</u>	<u>23,367</u>	<u>652,920</u>	<u>1,832,436</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>894,888</u>	<u>(340,763)</u>	<u>(10,296)</u>	<u>(520,747)</u>	<u>23,082</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	10,930	-	-	-	10,930
Transfers In	-	140,000	-	525,000	665,000
Transfers Out	(665,000)	-	-	-	(665,000)
Other Financing Sources	800	-	-	-	800
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(653,270)</u>	<u>140,000</u>	<u>-</u>	<u>525,000</u>	<u>11,730</u>
<i>Net Change in Fund Cash Balances</i>	241,618	(200,763)	(10,296)	4,253	34,812
<i>Fund Cash Balances, January 1</i>	<u>744,919</u>	<u>490,636</u>	<u>34,940</u>	<u>153,654</u>	<u>1,424,149</u>
Fund Cash Balances, December 31					
Restricted	-	289,873	24,644	157,907	472,424
Unassigned	986,537	-	-	-	986,537
<i>Fund Cash Balances, December 31</i>	<u>\$ 986,537</u>	<u>\$ 289,873</u>	<u>\$ 24,644</u>	<u>\$ 157,907</u>	<u>\$ 1,458,961</u>

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 800,338
Total Operating Cash Receipts	800,338
Operating Cash Disbursements:	
Personal Services	38,838
Employee Fringe Benefits	10,810
Contractual Services	315,730
Other	511,020
Total Operating Cash Disbursements	876,398
Operating Income	(76,060)
Non-Operating Cash Receipts (Disbursements):	
Intergovernmental	151,556
Special Assessments	77
Debt Proceeds	55,358
Capital Outlay	(258,538)
Principal Retirement	(41,107)
Interest and Other Fiscal Charges	(5,753)
Other Financing Sources	375
Total Non-Operating Cash Receipts (Disbursements)	(98,032)
Net Change in Fund Cash Balances	(174,092)
Fund Cash Balances, January 1	925,551
Fund Cash Balances, December 31	\$ 751,459

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 60,531	\$ 33,716	\$ -	\$ -	\$ 94,247
Municipal Income Tax	1,430,758	-	-	-	1,430,758
Intergovernmental	52,632	74,693	-	737,448	864,773
Special Assessments	-	-	12,989	6,559	19,548
Charges for Services	318	-	-	-	318
Fines, Licenses and Permits	26,368	4,957	-	-	31,325
Earnings on Investments	173	15	-	-	188
Miscellaneous	10,263	20,825	-	-	31,088
<i>Total Cash Receipts</i>	<u>1,581,043</u>	<u>134,206</u>	<u>12,989</u>	<u>744,007</u>	<u>2,472,245</u>
Cash Disbursements					
Current:					
Security of Persons and Property	428,317	6,900	-	-	435,217
Public Health Services	3,972	-	-	-	3,972
Leisure Time Activities	-	52,515	-	-	52,515
Community Environment	-	1,720	-	-	1,720
Transportation	-	409,067	-	-	409,067
General Government	275,522	-	-	-	275,522
Capital Outlay	-	-	-	4,054,791	4,054,791
Debt Service:					
Principal Retirement	-	-	15,000	135,156	150,156
Interest and Fiscal Charges	-	-	8,900	88,881	97,781
<i>Total Cash Disbursements</i>	<u>707,811</u>	<u>470,202</u>	<u>23,900</u>	<u>4,278,828</u>	<u>5,480,741</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>873,232</u>	<u>(335,996)</u>	<u>(10,911)</u>	<u>(3,534,821)</u>	<u>(3,008,496)</u>
Other Financing Receipts (Disbursements)					
Debt Proceeds	-	-	-	1,352,066	1,352,066
Transfers In	-	435,000	-	416,000	851,000
Transfers Out	(851,000)	-	-	-	(851,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(851,000)</u>	<u>435,000</u>	<u>-</u>	<u>1,768,066</u>	<u>1,352,066</u>
<i>Net Change in Fund Cash Balances</i>	22,232	99,004	(10,911)	(1,766,755)	(1,656,430)
<i>Fund Cash Balances, January 1 (Restated - See Note 10)</i>	<u>722,687</u>	<u>391,632</u>	<u>45,851</u>	<u>1,920,409</u>	<u>3,080,579</u>
Fund Cash Balances, December 31					
Restricted	-	490,636	34,940	153,654	679,230
Unassigned	744,919	-	-	-	744,919
<i>Fund Cash Balances, December 31</i>	<u>\$ 744,919</u>	<u>\$ 490,636</u>	<u>\$ 34,940</u>	<u>\$ 153,654</u>	<u>\$ 1,424,149</u>

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 833,835
Total Operating Cash Receipts	833,835
Operating Cash Disbursements:	
Personal Services	25,988
Employee Fringe Benefits	7,507
Contractual Services	218,569
Other	509,535
Total Operating Cash Disbursements	761,599
Operating (Loss)	72,236
Non-Operating Cash Receipts (Disbursements):	
Intergovernmental	3,424
Special Assessments	10,697
Capital Outlay	(162,000)
Principal Retirement	(45,769)
Interest and Other Fiscal Charges	(8,979)
Other Financing Sources	3,780
Total Non-Operating Cash Receipts (Disbursements)	(198,847)
Net Change in Fund Cash Balances	(126,611)
Fund Cash Balances, January 1	1,052,162
Fund Cash Balances, December 31	\$ 925,551

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Batavia, Clermont County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations and police services.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

C-G-E Assessment Fund – This fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

Street Capital Projects Fund – This fund receives bond proceeds and transfers from the General Fund for the construction of streets.

5. Enterprise Funds

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

Water Operating Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund – This fund receives charges for services from residents to cover sewer service costs.

VILLAGE OF BATAVIA
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

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 individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

VILLAGE OF BATAVIA
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$ 21,711	\$ 40,395
Total deposits	21,711	40,395
Repurchase agreements	2,188,709	2,309,305
Total investments	2,188,709	2,309,305
Total deposits and investments	\$ 2,210,420	\$ 2,349,700

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

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,462,884	\$ 1,618,973	\$ 156,089
Special Revenue	235,492	243,031	7,539
Debt Service	13,070	13,071	1
Capital Projects	657,173	657,173	-
Enterprise	790,150	1,007,704	217,554
Total	\$ 3,158,769	\$ 3,539,952	\$ 381,183

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,531,425	\$ 1,383,353	\$ 148,072
Special Revenue	538,249	445,666	92,583
Debt Service	25,000	23,367	1,633
Capital Projects	767,352	652,920	114,432
Enterprise	1,172,336	1,182,744	(10,408)
Total	\$ 4,034,362	\$ 3,688,050	\$ 346,312

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,511,362	\$ 1,581,043	\$ 69,681
Special Revenue	566,570	569,206	2,636
Debt Service	22,000	12,989	(9,011)
Capital Projects	2,511,014	2,512,073	1,059
Enterprise	826,583	851,736	25,153
Total	\$ 5,437,529	\$ 5,527,047	\$ 89,518

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 832,236	\$ 1,562,811	\$ (730,575)
Special Revenue	575,768	471,881	103,887
Debt Service	25,000	23,900	1,100
Capital Projects	4,567,199	4,279,737	287,462
Enterprise	1,105,291	978,653	126,638
Total	\$ 7,105,494	\$ 7,316,982	\$ (211,488)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Operating Fund in 2015 and the General Fund in 2014.

4. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Sewer Mortgage Revenue Bonds	\$ 91,077	2.65-5.25%
OPWC - CU17G	40,000	0%
OPWC - CJ24Q	1,250,661	0%
OPWC - CJ26R	55,358	0%
Sewer Improvement Special Assessment	155,000	2.65-5.25%
Streetscape Improvement G.O. Bonds	2,755,000	0.8-4.125%
Total	\$ 4,347,096	

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

The Ohio Public Works Commission (OPWC) Loan CU17G relates to a waterline addition. The OPWC approved a \$100,000 loan to the Village for this project in 2004. The loan will be repaid in semiannual installments of \$2,500 over 20 years. The loan is collateralized by water and sewer receipts.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

4. DEBT (Continued)

The OPWC Loan CJ24Q relates to the East Main Street Replacement Project. The OPWC approved a \$1,352,066 loan to the Village for this project in 2014. The loan will be repaid in semiannual installments of \$33,802 over 20 years.

The OPWC Loan CJ26R relates to the Wastewater Major Remedial Program. The OPWC approved a \$260,500 loan to the Village for this project, of which \$55,358 had been disbursed to the Village as of December 31, 2015.

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

The Streetscape Improvement General Obligation Bonds were issued on June 12, 2013. The bonds were issued for the East Main Street development project including Second and Fourth Streets. The bonds will mature in 2033. The bond proceeds reflected on the financial statements include \$1,325 in refunded bond issuance fees.

The Village entered into a Dump Truck Loan during 2012 which was not subsequently recorded on the Village's books and not included in the prior audit report. The balance outstanding at January 1, 2014 was \$28,110, and the loan was retired in October 2015.

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

Year ending December 31:	OPWC CU17G	OPWC CJ24Q	Sewer Mortgage Revenue Bonds	Sewer System Improvement Special Assessment	Streetscape Improvement G.O. Bonds
2016	\$ 2,500	\$ 33,802	\$ 49,988	\$ 22,610	\$ 210,926
2017	5,000	67,603	48,702	21,942	209,426
2018	5,000	67,603	-	21,260	207,676
2019	5,000	67,603	-	20,555	210,676
2020	5,000	67,603	-	19,835	208,336
2021-2025	17,500	338,016	-	90,330	1,053,981
2026-2030	-	338,017	-	-	1,052,009
2031-2035	-	270,414	-	-	628,469
Total	<u>\$ 40,000</u>	<u>\$ 1,250,661</u>	<u>\$ 98,690</u>	<u>\$ 196,532</u>	<u>\$ 3,781,499</u>

No amortization schedule is available for OPWC CJ26R as the total loan was not disbursed as of December 31, 2015.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

5. 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. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

6. LOCAL INCOME TAX

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

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

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For the period of January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their wages. For the period of July 1, 2014 through June 30, 2015, OP&F participants contributed 11.5% of their wages. For the period of July 1, 2015 through December 31, 2015, OP&F participants contributed 12.25% of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of employee wages. For 2015 and 2014, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of the participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

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

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$ 15,715	\$ 16,705

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. PRIOR PERIOD RESTATEMENT

The following adjustment is reflected in the January 1, 2014 fund balances:

	<u>General Fund</u>	<u>Street Construction, Maintenance and Repair Fund</u>	<u>Centennial Special Revenue Fund</u>
December 31, 2013 audited balances	\$ 723,785	\$ 164,796	\$ -
Adjustment to account for Centennial Fund as a Special Revenue Fund	(1,479)	-	1,479
Adjustment for voided checks	381	162	-
January 1, 2014 balances	<u>\$ 722,687</u>	<u>\$ 164,958</u>	<u>\$ 1,479</u>

The Centennial Fund had previously been incorrectly adjusted to the General Fund in the prior audit.



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Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

June 10, 2016

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Batavia**, Clermont County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 10, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

... "bringing more to the table"

Tax- Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll
Litigation Support - Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2015-002 and 2015-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 10, 2016.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Significant Deficiency

Posting Receipts, Disbursements and Classification of Fund Balances

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

During 2015 and 2014, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- State permissive receipts and corresponding disbursements were posted to the State Highway Fund instead of the Permissive Motor Vehicle License Fund in 2015 and 2014;
- Fire Truck Debt Service Fund balance were posted as Assigned instead of Restricted in 2015 and 2014;
- Portions of OPWC grants and loans were not posted properly in the Sewer Operating Fund in 2015 and 2014;
- Centennial Fund was recorded as an Agency Fund when it should be a Special Revenue Fund in 2015 and 2014;
- Income tax collections were posted as Charges for Services in the Water Operating Fund instead of Municipal Income Tax in the General Fund in 2014;
- OPWC loan proceeds were posted as Intergovernmental instead of Debt Proceeds in the Street Capital Projects Fund in 2014;
- Dump truck loan payments were posted as Basic Utility Services instead of Principal Retirement and Interest and Fiscal Charges in the Capital Projects Fund in 2014;
- Sewer Mortgage Bonds payment was posted to Interest and Fiscal Charges instead of being split between Principal Retirement and Interest and Fiscal Charges.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring adjustments and reclassifications. The Village has made all adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications. Additional errors noted in immaterial amounts, both individually and in the aggregate by fund type, were included on the summary of unadjusted differences.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

Officials' Response – 2014 was first year as Fiscal Officer, errors were made.

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING 2015-002

Noncompliance

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2015 in the Sewer Operating Fund and in 2014 in the General Fund.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Officials' Response – 2014 was first year as Fiscal Officer, errors were made.

FINDING 2015-003

Noncompliance

Ohio Revised 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 a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING 2015-003 (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 60% of the expenditures tested for 2015 and for 6% of the expenditures tested for 2014.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Officials’ Response – Will use more then and now certificates in the future.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Posting Receipts, Disbursements and Classification of Fund Balances	No	Not Corrected; Repeated as Finding 2015-001

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Dave Yost • Auditor of State

VILLAGE OF BATAVIA

CLERMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2016