

**VILLAGE OF BATAVIA
CLERMONT COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



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, 2012 through December 31, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 21, 2014

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VILLAGE OF BATAVIA
CLERMONT COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 24, 2014

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Batavia**, Clermont County (the Village) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, 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, 2013 and 2012, 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 September 24, 2014, 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, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 59,234	\$ 35,856	\$ -	\$ -	\$ 95,090
Municipal Income Tax	1,269,099	-	-	-	1,269,099
Intergovernmental	176,809	64,665	-	247,551	489,025
Special Assessments	-	-	20,644	1,040	21,684
Charges for Services	162	-	-	-	162
Fines, Licenses and Permits	19,688	3,527	-	-	23,215
Earnings on Investments	294	18	-	-	312
Miscellaneous	-	2,470	-	-	2,470
<i>Total Cash Receipts</i>	<u>1,525,286</u>	<u>106,536</u>	<u>20,644</u>	<u>248,591</u>	<u>1,901,057</u>
Cash Disbursements					
Current:					
Security of Persons and Property	400,288	91	-	-	400,379
Public Health Services	6,966	-	-	-	6,966
Community Environment	-	1,358	-	-	1,358
Transportation	-	339,416	-	-	339,416
General Government	249,213	-	-	-	249,213
Capital Outlay	-	-	-	1,671,824	1,671,824
Debt Service:					
Principal Retirement	-	-	15,000	-	15,000
Interest and Fiscal Charges	-	-	9,515	48,720	58,235
<i>Total Cash Disbursements</i>	<u>656,467</u>	<u>340,865</u>	<u>24,515</u>	<u>1,720,544</u>	<u>2,742,391</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>868,819</u>	<u>(234,329)</u>	<u>(3,871)</u>	<u>(1,471,953)</u>	<u>(841,334)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	-	-	3,001,325	3,001,325
Transfers In	-	382,095	-	269,507	651,602
Transfers Out	(651,602)	-	-	-	(651,602)
Other Financing Sources	5,655	2,111	-	-	7,766
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(645,947)</u>	<u>384,206</u>	<u>-</u>	<u>3,270,832</u>	<u>3,009,091</u>
<i>Net Change in Fund Cash Balances</i>	222,872	149,877	(3,871)	1,798,879	2,167,757
<i>Fund Cash Balances, January 1</i>	<u>500,913</u>	<u>240,114</u>	<u>49,722</u>	<u>121,530</u>	<u>912,279</u>
Fund Cash Balances, December 31					
Nonspendable	1,848	-	-	-	1,848
Restricted	-	389,991	45,851	1,920,409	2,356,251
Unassigned	721,937	-	-	-	721,937
<i>Fund Cash Balances, December 31</i>	<u>\$ 723,785</u>	<u>\$ 389,991</u>	<u>\$ 45,851</u>	<u>\$ 1,920,409</u>	<u>\$ 3,080,036</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, 2013**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 726,713
Total Operating Cash Receipts	726,713
Operating Cash Disbursements:	
Personal Services	20,327
Employee Fringe Benefits	2,809
Contractual Services	110,592
Supplies and Materials	444
Other	501,899
Total Operating Cash Disbursements	636,071
Operating Income	90,642
Non-Operating Cash Receipts (Disbursements):	
Special Assessments	33,436
Capital Outlay	(10,374)
Principal Retirement	(49,773)
Interest and Other Fiscal Charges	(9,634)
Other Financing Sources	2,775
Total Non-Operating Cash Receipts (Disbursements)	(33,570)
Net Change in Fund Cash Balances	57,072
Fund Cash Balances, January 1	995,090
Fund Cash Balances, December 31	\$ 1,052,162

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, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 59,817	\$ 36,297	\$ -	\$ -	\$ 96,114
Municipal Income Tax	976,532	-	-	-	976,532
Intergovernmental	80,750	74,821	-	-	155,571
Special Assessments	-	-	18,152	1,066	19,218
Charges for Services	118	-	-	-	118
Fines, Licenses and Permits	20,657	733	-	-	21,390
Earnings on Investments	1,012	87	-	-	1,099
Miscellaneous	-	1,875	-	-	1,875
<i>Total Cash Receipts</i>	<u>1,138,886</u>	<u>113,813</u>	<u>18,152</u>	<u>1,066</u>	<u>1,271,917</u>
Cash Disbursements					
Current:					
Security of Persons and Property	300,849	-	-	-	300,849
Public Health Services	7,128	-	-	-	7,128
Community Environment	-	1,076	-	-	1,076
Transportation	-	287,956	-	-	287,956
General Government	234,023	-	-	-	234,023
Capital Outlay	-	-	-	155,657	155,657
Debt Service:					
Principal Retirement	-	-	10,000	650,000	660,000
Interest and Fiscal Charges	-	-	9,910	28,060	37,970
<i>Total Cash Disbursements</i>	<u>542,000</u>	<u>289,032</u>	<u>19,910</u>	<u>833,717</u>	<u>1,684,659</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>596,886</u>	<u>(175,219)</u>	<u>(1,758)</u>	<u>(832,651)</u>	<u>(412,742)</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	63,962	-	480,000	543,962
Transfers Out	(543,962)	-	-	-	(543,962)
Other Financing Sources	7,759	2,801	-	-	10,560
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(536,203)</u>	<u>66,763</u>	<u>-</u>	<u>480,000</u>	<u>10,560</u>
<i>Net Change in Fund Cash Balances</i>	<u>60,683</u>	<u>(108,456)</u>	<u>(1,758)</u>	<u>(352,651)</u>	<u>(402,182)</u>
<i>Fund Cash Balances, January 1</i>	<u>440,230</u>	<u>348,570</u>	<u>51,480</u>	<u>474,181</u>	<u>1,314,461</u>
Fund Cash Balances, December 31					
Nonspendable	1,483	-	-	-	1,483
Restricted	-	240,114	49,722	120,530	410,366
Committed	10,155	-	-	1,000	11,155
Unassigned	489,275	-	-	-	489,275
<i>Fund Cash Balances, December 31</i>	<u>\$ 500,913</u>	<u>\$ 240,114</u>	<u>\$ 49,722</u>	<u>\$ 121,530</u>	<u>\$ 912,279</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, 2012**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 705,085
	705,085
Total Operating Cash Receipts	705,085
Operating Cash Disbursements:	
Personal Services	22,884
Employee Fringe Benefits	8,654
Contractual Services	414,809
Supplies and Materials	26,795
Other	232,715
	705,857
Total Operating Cash Disbursements	705,857
Operating (Loss)	(772)
Non-Operating Cash Receipts (Disbursements):	
Special Assessments	33,379
Capital Outlay	(36,726)
Principal Retirement	(52,273)
Interest and Other Fiscal Charges	(7,327)
Other Financing Sources	7,265
	(55,682)
Total Non-Operating Cash Receipts (Disbursements)	(55,682)
Net Change in Fund Cash Balances	(56,454)
Fund Cash Balances, January 1	1,051,544
Fund Cash Balances, December 31	\$ 995,090

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, 2013 AND 2012**

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, 2013 AND 2012
(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.

Street II Construction, Maintenance and Repair Fund – This fund receives transfers from the General Fund 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 Sewer 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 Funds:

Capital Projects Fund – This fund receives special assessment monies and transfers from the General Fund for the construction of streets.

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, 2013 AND 2012
(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.

A summary of 2013 and 2012 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.

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.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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:

	2013	2012
Demand deposits	\$ 34,038	\$ 74,913
Total deposits	34,038	74,913
Repurchase agreements	4,098,160	1,832,456
Total investments	4,098,160	1,832,456
Total deposits and investments	\$ 4,132,198	\$ 1,907,369

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.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,298,110	\$ 1,530,941	\$ 232,831
Special Revenue	328,422	490,742	162,320
Debt Service	18,152	20,644	2,492
Capital Projects	5,818,132	3,519,423	(2,298,709)
Enterprise	758,933	762,924	3,991
Total	\$ 8,221,749	\$ 6,324,674	\$ (1,897,075)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 781,335	\$ 1,336,833	\$ (555,498)
Special Revenue	478,509	364,510	113,999
Debt Service	25,000	24,515	485
Capital Projects	5,503,066	5,499,743	3,323
Enterprise	801,440	706,283	95,157
Total	\$ 7,589,350	\$ 7,931,884	\$ (342,534)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,177,028	\$ 1,146,645	\$ (30,383)
Special Revenue	181,636	180,576	(1,060)
Debt Service	18,153	18,152	(1)
Capital Projects	481,066	481,066	-
Enterprise	758,933	745,729	(13,204)
Total	\$ 2,616,816	\$ 2,572,168	\$ (44,648)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 658,887	\$ 1,096,117	\$ (437,230)
Special Revenue	318,616	312,432	6,184
Debt Service	25,000	19,910	5,090
Capital Projects	605,900	834,717	(228,817)
Enterprise	882,794	802,783	80,011
Total	\$ 2,491,197	\$ 3,065,959	\$ (574,762)

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

4. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Sewer Mortgage Revenue Bonds	\$ 165,454	2.65-5.25%
Ohio Public Works Commission	52,500	0%
Sewer Improvement Special Assessment	185,000	2.65-5.25%
Streetscape Improvement G.O. Bonds	3,000,000	0.8-4.125%
Total	\$ 3,402,954	

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

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

The West Main General Obligation Bonds were issued on November 30, 2009 for the purpose of repaying the West Main Street G.O. Bond Anticipation Note for improving West Main Street. The bond was repaid in 2013.

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.

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

			Sewer System Improvement Special Assessment	East Main Street Improvement G.O. Bonds
Year ending December 31:	OPWC Loan	Sewer Mortgage Revenue Bonds		
2014	\$ 5,000	\$ 49,450	\$ 23,900	\$ 208,136
2015	5,000	52,350	23,263	279,780
2016	5,000	49,988	22,610	278,530
2017	5,000	52,625	21,943	277,030
2018	5,000	-	21,260	275,280
2019-2023	25,000	-	109,670	1,389,663
2024-2028	2,500	-	21,050	1,391,660
2029-2033	-	-	-	1,453,801
Total	\$ 52,500	\$ 204,413	\$ 243,696	\$ 5,553,880

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(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, 2012 through June 30, 2013, OP&F participants contributed 10% of their wages. For the period of July 1, 2013 through December 31, 2013, OP&F participants contributed 10.75% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of employee wages. For 2013 and 2012, 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, 2013.

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.

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

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, 2013, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, 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.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$ 11,774	\$ 15,282

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.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

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.

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

September 24, 2014

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 **Village of Batavia**, Clermont County (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 24, 2014, 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 a 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 24, 2014.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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, 2013 AND 2012

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

FINDING NUMBER 2013-001

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 2013 and 2012, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Unclaimed monies were reported within an Agency Fund, instead of as a Nonspendable fund balance in the General Fund.
- In 2013, a portion of the fund balance in the Debt Service Funds was misclassified as Assigned instead of Restricted.
- In 2013, an OPWC on-behalf payment was misclassified as Other Financing Sources instead of Intergovernmental in the Capital Projects Fund.
- In 2013 and 2012, principal payments on the sewer mortgage revenue bonds was misclassified as Interest and Other Fiscal Charges instead of Principal Retirement in the Sewer Operating Fund.
- In 2012, the fund balance for encumbrances in the Street II Construction, Maintenance and Repair Fund was misclassified as Committed instead of Restricted.

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.

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 Ohio Administrative Code Section 117-2-02 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 – Unclaimed monies were properly reported in an agency account. However, that agency account should have been mapped to the General Fund.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Municipal Income Tax Allocation	Yes	N/A

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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
NOVEMBER 06, 2014**