



**VILLAGE OF BATAVIA
CLERMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2002



**Auditor of State
Betty Montgomery**

VILLAGE OF BATAVIA
CLERMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

August 9, 2004

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$57,006	\$24,831	\$0	\$0	\$634,072	\$715,909
Intergovernmental Receipts	113,118	124,826		197,300		435,244
Charges for Services	7,285					7,285
Fines, Licenses, and Permits	16,974	100				17,074
Earnings on Investments	3,245	1,554				4,799
Miscellaneous	8				15	23
Total Cash Receipts	<u>197,636</u>	<u>151,311</u>	<u>0</u>	<u>197,300</u>	<u>634,087</u>	<u>1,180,334</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	250,544	9,708				260,252
Public Health Services	15,962	878				16,840
Transportation	446	183,850				184,296
General Government	163,374				14,744	178,118
Debt Service:						
Principal Payments			32,000			32,000
Capital Outlay	6,574	11,360		989,460		1,007,394
Total Cash Disbursements	<u>436,900</u>	<u>205,796</u>	<u>32,000</u>	<u>989,460</u>	<u>14,744</u>	<u>1,678,900</u>
Total Receipts Over/(Under) Disbursements	<u>(239,264)</u>	<u>(54,485)</u>	<u>(32,000)</u>	<u>(792,160)</u>	<u>619,343</u>	<u>(498,566)</u>
Other Financing Receipts and (Disbursements):						
Sale of Notes				285,000		285,000
Loan Proceeds				100,000		100,000
Sale of Fixed Assets		3,150				3,150
Other Financing Sources	185			27,472		27,657
Other Financing Uses				(20,060)	(11,396)	(31,456)
Transfers-In	187,047	69,167	58,181	314,395		628,790
Transfers-Out					(628,790)	(628,790)
Total Other Financing Receipts/(Disbursements)	<u>187,232</u>	<u>72,317</u>	<u>58,181</u>	<u>706,807</u>	<u>(640,186)</u>	<u>384,351</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(52,032)</u>	<u>17,832</u>	<u>26,181</u>	<u>(85,353)</u>	<u>(20,843)</u>	<u>(114,215)</u>
Fund Cash Balances, January 1	<u>167,389</u>	<u>137,005</u>	<u>36,921</u>	<u>489,463</u>	<u>43,009</u>	<u>873,787</u>
Fund Cash Balances, December 31	<u>\$115,357</u>	<u>\$154,837</u>	<u>\$63,102</u>	<u>\$404,110</u>	<u>\$22,166</u>	<u>\$759,572</u>
Reserves for Encumbrances, December 31	<u>\$1,340</u>	<u>\$404</u>	<u>\$0</u>	<u>\$242,181</u>	<u>\$0</u>	<u>\$243,925</u>

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

Operating Cash Receipts:	
Charges for Services	\$603,102
Miscellaneous	4,765
	<u>607,867</u>
Total Operating Cash Receipts	<u>607,867</u>
Operating Cash Disbursements:	
Personal Services	120,354
Contractual Services	312,476
Supplies and Materials	84,022
Capital Outlay	36,052
	<u>552,904</u>
Total Operating Cash Disbursements	<u>552,904</u>
Operating Income	<u>54,963</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	7,569
	<u>7,569</u>
Total Non-Operating Cash Receipts	<u>7,569</u>
Non-Operating Cash Disbursements:	
Debt Service	51,020
Other Non-Operating Cash Disbursements	2,750
	<u>53,770</u>
Total Non-Operating Cash Disbursements	<u>53,770</u>
Net Receipts Over Disbursements	8,762
Fund Cash Balances, January 1	<u>218,206</u>
Fund Cash Balances, December 31	<u><u>\$226,968</u></u>
Reserve for Encumbrances, December 31	<u><u>\$4,557</u></u>

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$53,080	\$22,418	\$2,875	\$0	\$660,372	\$738,745
Intergovernmental Receipts	139,904	113,881	288			254,073
Charges for Services	7,745					7,745
Fines, Licenses, and Permits	20,814	328				21,142
Earnings on Investments	6,896	1,610				8,506
Miscellaneous	3,671	65				3,736
Total Cash Receipts	<u>232,110</u>	<u>138,302</u>	<u>3,163</u>	<u>0</u>	<u>660,372</u>	<u>1,033,947</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	263,734	6,206				269,940
Public Health Services	8,923					8,923
Transportation	925	182,525				183,450
General Government	156,592				13,785	170,377
Debt Service:						
Principal Payments			61,000			61,000
Interest Payments			719			719
Capital Outlay	9,404	7,700		20,140		37,244
Total Cash Disbursements	<u>439,578</u>	<u>196,431</u>	<u>61,719</u>	<u>20,140</u>	<u>13,785</u>	<u>731,653</u>
Total Receipts Over/(Under) Disbursements	<u>(207,468)</u>	<u>(58,129)</u>	<u>(58,556)</u>	<u>(20,140)</u>	<u>646,587</u>	<u>302,294</u>
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets		166				166
Other Financing Sources				10,564		10,564
Other Financing Uses				(167)	(11,542)	(11,709)
Transfers-In	174,581	66,220	60,200	301,002		602,003
Transfers-Out					(602,003)	(602,003)
Advances-Out	(35,000)					(35,000)
Total Other Financing Receipts/(Disbursements)	<u>139,581</u>	<u>66,386</u>	<u>60,200</u>	<u>311,399</u>	<u>(613,545)</u>	<u>(35,979)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(67,887)	8,257	1,644	291,259	33,042	266,315
Fund Cash Balances, January 1, restated - see Note 2	235,276	128,748	35,277	198,204	9,967	607,472
Fund Cash Balances, December 31	<u>\$167,389</u>	<u>\$137,005</u>	<u>\$36,921</u>	<u>\$489,463</u>	<u>\$43,009</u>	<u>\$873,787</u>
Reserves for Encumbrances, December 31	<u>\$1,674</u>	<u>\$73</u>	<u>\$0</u>	<u>\$62,500</u>	<u>\$200</u>	<u>\$64,447</u>

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND, CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$599,480
Miscellaneous	
Total Operating Cash Receipts	599,480
Operating Cash Disbursements:	
Personal Services	106,542
Contractual Services	343,262
Supplies and Materials	66,464
Capital Outlay	9,398
Total Operating Cash Disbursements	525,666
Operating Income/(Loss)	73,814
Non-Operating Cash Receipts:	
Proceeds from Bonds	550,000
Other Non-Operating Receipts	27,720
Total Non-Operating Cash Receipts	577,720
Non-Operating Cash Disbursements:	
Debt Service	672,717
Other Non-Operating Cash Disbursements	2,713
Total Non-Operating Cash Disbursements	675,430
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(23,896)
Advances-In	35,000
Net Receipts Over/(Under) Disbursements	11,104
Fund Cash Balances, January 1, restated - see Note 2	207,102
Fund Cash Balances, December 31	\$218,206
Reserve for Encumbrances, December 31	\$62,196

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 11 to the financial statements.

B. Basis of Accounting

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

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

C. Cash and Deposits

Village funds are deposited in a public funds checking account with a local commercial bank.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Street II Fund - This fund receives a portion of the income tax receipts that are set aside for constructing, maintaining and repairing Village streets.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Water Debt Fund – This fund was created by a Village ordinance and is used for the payments due to Clermont County as a result of a court settlement. (as further described in Note 8) The fund receives 10% of the income tax receipts for a fiscal year.

4. Capital Project Funds

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

Third Street Fund – This fund receives OPWC monies for the Third Street Project.

Capital Improvement Fund – This fund receives local income tax monies and note proceeds for Village capital improvements.

5. Enterprise Funds

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

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

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

6. Fiduciary Funds (Expendable Trust Fund)

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

Local Income Tax Fund – This expendable trust fund receives proceeds from the Village residents and transfers these proceeds to various funds for street improvements and general expenditures.

VILLAGE OF BATAVIA
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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 or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. RESTATEMENT OF FUND BALANCE

The fund balance of the Debt Service and Enterprise funds were restated from amounts previously reported regarding the classification of the Village's Water Debt fund. The Water Debt fund should be classified as a Debt Service fund. The restatement resulted in changes to balances reported at December 31, 2001 as follows:

	<u>Debt Service Fund</u>	<u>Enterprise Funds</u>
Fund Balance December 31, 2001 (as reported)	\$23,687	\$218,692
Restatement	<u>11,590</u>	<u>(11,590)</u>
Fund Balance December 31, 2001 (as restated)	<u>\$35,277</u>	<u>\$207,102</u>

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. EQUITY IN POOLED CASH AND DEPOSITS

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

	2003	2002
Demand deposits	\$986,540	\$1,091,993

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Estimated Receipts	Actual Receipts	Variance
General	\$414,160	\$384,868	(\$29,292)
Special Revenue	202,200	223,628	21,428
Debt Service	40,000	58,181	18,181
Capital Projects	792,300	924,167	131,867
Enterprise	629,500	615,436	(14,064)
Fiduciary	635,000	634,087	(913)
Total	\$2,713,160	\$2,840,367	\$127,207

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$474,084	\$438,240	\$35,844
Special Revenue	249,958	206,200	43,758
Debt Service	32,000	32,000	0
Capital Projects	1,315,740	1,251,701	64,039
Enterprise	737,014	611,232	125,782
Fiduciary	600,363	654,930	(54,567)
Total	\$3,409,159	\$3,194,303	\$214,856

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$430,873	\$406,691	(\$24,182)
Special Revenue	203,700	204,688	988
Debt Service	67,880	63,363	(4,517)
Capital Projects	444,000	311,566	(132,434)
Enterprise	1,313,810	1,177,200	(136,610)
Fiduciary	645,000	660,372	15,372
Total	\$3,105,263	\$2,823,880	(\$281,383)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$538,891	\$441,252	\$97,639
Special Revenue	264,157	196,504	67,653
Debt Service	69,000	61,719	7,281
Capital Projects	468,000	82,807	385,193
Enterprise	1,465,604	1,263,290	202,314
Fiduciary	645,000	627,530	17,470
Total	\$3,450,652	\$2,673,102	\$777,550

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. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. LOCAL INCOME TAX

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

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

7. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Sewer Mortgage Revenue Bonds	\$520,000	2.65 - 5.25%
Sewer Special Assessment Bond Anticipation Note	285,000	2.05%
Ohio Public Works Commission	100,000	0%
Total	\$905,000	

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

The Sewer Special Assessment Bond Anticipation Note was issued September 18, 2003, for the purpose of improving the Village Sewer System. The Note will mature on September 17, 2004. The note is collateralized by water and sewer receipts.

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.

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

	OPWC Loan	Sewer Mortgage Revenue Bond	Sewer Bond Anticipation Note
Year ending December 31:			
2004	\$2,500	\$53,513	\$290,826
2005	5,000	52,688	
2006	5,000	51,713	
2007	5,000	50,663	
2008	5,000	54,523	
2009-2013	25,000	259,835	
2014-2018	25,000	204,413	
2019-2023	25,000		
2024	2,500		
Total	\$100,000	\$727,345	\$290,826

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. DEBT (Continued)

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2003 was \$447,000, which includes the principal balance of \$385,000 of the Sewer Mortgage Revenue Bonds defeased in 2002. Assets accumulated to retire this debt are held by a trustee, and are not included in the assets disclosed in Note 3.

The Village paid off two leases in fiscal year 2003. These leases consisted of a police cruiser and an International truck. Currently, the Village leases a dump truck. The original cost of the dump truck was \$31,054. The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2003.

Year Ending December 31	Capital Lease
2004	\$17,140
2005	<u>17,140</u>
Minimum Lease Payments	34,280
Less: Amount represent interest at the Village's incremental borrowing rate of interest	<u>(3,226)</u>
Present Value of minimum lease payments	<u>\$31,054</u>

8. COURT SETTLEMENT

The Village entered into judgment with the Clermont County Board of Commissioners on November 12, 2001. Per this judgment, the Village shall pay the County an amount of \$8,000 quarterly commencing on January 1, 2002 until the judgment is paid in full. As of December 31, 2003, the Village owed the County \$ 247,626, which represents payment for the system capacity charge for connection to the County's water system and attorney fees incurred by the County during the underlying litigation.

9. 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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

10. RISK POOL MEMBERSHIP

The Government 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

11. DEBT SERVICE TRUSTEED FUNDS

The Sewer Plant Expansion trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2003, the custodian held \$87,366 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

As disclosed in Note 7, the Village has also defeased the Waterworks Plant Expansion 1967 bonds. At December 31, 2003, the custodian held \$111,319 in Village assets to retire the 1967 bonds.

12. SUBSEQUENT EVENT

The Village adopted ordinance 1038-04 on August 2, 2004 providing for the issuance and sale of Sewer Improvement Special Assessment Bonds, not to exceed \$310,000. The purpose of these bonds is to finance the Clark/Glen/Ely Sewer Improvement project.

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Auditor of State Betty Montgomery

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 9, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of finding as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 9, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 9, 2004.

Village of Batavia
Clermont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 9, 2004

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF FINDING
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet 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.

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 (\$1,000 prior to April 7, 2003) 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 Village.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Village 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

<p style="text-align: center;">FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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**FINDING NUMBER 2003-001
(Continued)**

The Village did not certify the availability of funds prior to purchase commitment for 21% of the expenditures tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is required by statute to assure that purchase commitments receive prior approval. To help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

The Village has adjusted its financial statements to include significant obligations outstanding at year end that should have been certified as of December 31, 2003 and 2002.

VILLAGE OF BATAVIA
CLERMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30413-001	Expenditures exceeded appropriations	No	Partially Corrected; Repeated as a citation in the 2003-2002 management letter.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

VILLAGE OF BATAVIA

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 5, 2004**