

Village of Batavia
Clermont County, Ohio

Regular Audit

January 1, 2006, through December 31, 2007
Fiscal Years Audited Under GAGAS: 2007 and 2006



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

Members of 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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 18, 2009

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VILLAGE OF BATAVIA
CLERMONT COUNTY
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Village of Batavia, Clermont County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standard*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

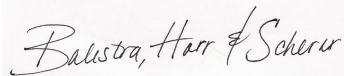
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting its larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, 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 of Batavia, Clermont County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2008, 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. While we did not opine on this internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

September 25, 2008

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Taxes	\$ 65,627	\$ 14,249	\$ -	\$ -	\$ 79,876
Municipal Income Tax	251,358	94,259	47,130	392,746	785,493
Intergovernmental	123,746	135,210	-	-	258,956
Special Assessments	-	-	26,357	1,101	27,458
Charges for Services	4,503	-	-	-	4,503
Fines, Licenses, and Permits	16,144	200	-	-	16,344
Earnings on Investments	26,148	32,189	-	-	58,337
Miscellaneous	-	5,860	-	-	5,860
Total Cash Receipts	<u>487,526</u>	<u>281,967</u>	<u>73,487</u>	<u>393,847</u>	<u>1,236,827</u>
Cash Disbursements:					
Current:					
Security of Persons & Property	321,982	373	-	-	322,355
Public Health Service	19,600	-	-	-	19,600
Community Environment	17,000	809	-	-	17,809
Transportation	-	290,179	-	-	290,179
General Government	211,424	4,968	34,261	20,701	271,354
Capital Outlay	-	-	-	229,021	229,021
Debt Service:					
Redemption of Principal	-	-	10,000	800,000	810,000
Interest and Fiscal Charges	-	-	11,778	33,905	45,683
Total Cash Disbursements	<u>570,006</u>	<u>296,329</u>	<u>56,039</u>	<u>1,083,627</u>	<u>2,006,001</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(82,480)	(14,362)	17,448	(689,780)	(769,174)
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds	-	-	-	825,000	825,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(82,480)	(14,362)	17,448	135,220	55,826
Fund Cash Balances, January 1	<u>178,362</u>	<u>203,887</u>	<u>107,240</u>	<u>296,770</u>	<u>786,259</u>
Fund Cash Balances, December 31	<u>\$ 95,882</u>	<u>\$ 189,525</u>	<u>\$ 124,688</u>	<u>\$ 431,990</u>	<u>\$ 842,085</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, 2007**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 636,921
Total Operating Cash Receipts	636,921
Operating Cash Disbursements:	
Personal services	121,390
Fringe benefits	44,696
Contractual services	132,098
Supplies and Materials	152,988
Other	152,299
Total Operating Cash Disbursements	<u>603,471</u>
Operating Income	33,450
Non-Operating Cash Receipts/(Disbursements):	
Special Assessments	41,106
Principal	(35,000)
Interest	(19,014)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(12,908)</u>
Net Cash Receipts Over Cash Disbursements	20,542
Transfers-In	6,504
Transfers-Out	(6,504)
Fund Cash Balances, January 1	<u>480,015</u>
Fund Cash Balances, December 31	<u><u>\$ 500,557</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 4,500</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Taxes	\$ 66,696	\$ 14,662	\$ -	\$ -	\$ 81,358
Municipal Income Tax	252,634	94,738	47,369	394,741	789,482
Intergovernmental	134,120	111,832	-	-	245,952
Special Assessments	-	-	24,355	1,094	25,449
Charges for Services	5,445	-	-	-	5,445
Fines, Licenses, and Permits	16,748	-	-	-	16,748
Earnings on Investments	31,635	35,262	-	-	66,897
Miscellaneous	5,065	-	-	-	5,065
Total Cash Receipts	<u>512,343</u>	<u>256,494</u>	<u>71,724</u>	<u>395,835</u>	<u>1,236,396</u>
Cash Disbursements:					
Current:					
Security of Persons & Property	279,851	4,465	-	-	284,316
Public Health Service	17,228	-	-	-	17,228
Community Environment	7,000	-	-	-	7,000
Transportation	-	256,322	-	-	256,322
General Government	185,086	5,440	34,720	22,669	247,915
Capital Outlay	-	-	-	441,564	441,564
Debt Service:					
Redemption of Principal	-	-	10,000	100,000	110,000
Interest and Fiscal Charges	-	-	11,790	33,656	45,446
Total Cash Disbursements	<u>489,165</u>	<u>266,227</u>	<u>56,510</u>	<u>597,889</u>	<u>1,409,791</u>
Total Cash Receipts Over/(Under) Cash Disbursements	23,178	(9,733)	15,214	(202,054)	(173,395)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	-	2,267	-	-	2,267
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,178	(7,466)	15,214	(202,054)	(171,128)
Fund Cash Balances, January 1	<u>155,184</u>	<u>211,353</u>	<u>92,026</u>	<u>498,824</u>	<u>957,387</u>
Fund Cash Balances, December 31	<u>\$ 178,362</u>	<u>\$ 203,887</u>	<u>\$ 107,240</u>	<u>\$ 296,770</u>	<u>\$ 786,259</u>
Reserve for Encumbrances, December 31	<u>\$ 1,452</u>	<u>\$ 7,600</u>	<u>\$ -</u>	<u>\$ 33,184</u>	<u>\$ 42,236</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, 2006**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 625,703
Total Operating Cash Receipts	625,703
Operating Cash Disbursements:	
Personal services	114,152
Employee Fringe Benefits	34,592
Contractual services	150,571
Supplies and Materials	83,377
Other	147,773
Total Operating Cash Disbursements	<u>530,465</u>
Operating Income	95,238
Non-Operating Cash Receipts:	
Special Assessments	37,353
Principal	(35,000)
Interest	(17,609)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(15,256)</u>
Income before Transfers	79,982
Transfers-In	5,962
Transfers-Out	(5,962)
Fund Cash Balances, January 1	<u>400,033</u>
Fund Cash Balances, December 31	<u>\$ 480,015</u>
Reserve for Encumbrances, December 31	<u>\$ 55,731</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village’s accounting policies are described below.

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 general government services, road and bridge maintenance, police services, sewer utilities, and mayor’s court.

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

B. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Village had the following significant special revenue fund:

Street Construction, Maintenance and Repair Fund: This fund receives gasoline tax and motor vehicle tax monies 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 street.

PROPRIETARY FUNDS

Enterprise Fund

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 enterprise fund:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

C. 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 on material matters, as prescribed or permitted by the Auditor of State.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projective receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. The Village did not adopt supplemental appropriations during 2007 and 2006.

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

D. BUDGETARY PROCESS (Cont'd)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation,

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2007 and 2006.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

E. CASH AND CASH EQUIVALENTS

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

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 2 – CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$ 73,767	\$ 80,926
Escrow Savings Account*	-	63,681
Total deposits	73,767	144,607
Repurchase agreement	1,268,875	1,121,667
Total deposits and investments	\$ 1,342,642	\$ 1,266,274

* - This represents cash placed in an escrow account for final payment on the West Main Street Roadway and Stormwater Improvements Project.

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 were as follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 460,000	\$ 487,526	\$ 27,526
Special Revenue	277,922	281,967	4,045
Debt Service	65,000	73,487	8,487
Capital Projects	1,245,000	1,218,847	(26,153)
Enterprise	633,500	684,531	51,031
Total	\$2,681,422	\$ 2,746,358	\$ 64,936

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 499,813	\$ 570,006	\$ (70,193)
Special Revenue	308,150	296,329	11,821
Debt Service	57,000	56,039	961
Capital Projects	980,000	1,083,627	(103,627)
Enterprise	693,400	668,489	24,911
Total	\$ 2,538,363	\$ 2,674,490	\$ (136,127)

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 3 – BUDGETARY ACTIVITY (COND'T)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 417,929	\$ 512,343	\$ 94,414
Special Revenue	256,422	258,761	2,339
Debt Service	64,750	71,724	6,974
Capital Projects	331,250	395,835	64,585
Enterprise	667,300	669,018	1,718
Total	\$ 1,737,651	\$ 1,907,681	\$ 170,030

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 471,323	\$ 490,617	\$ (19,294)
Special Revenue	258,425	273,827	(15,402)
Debt Service	54,000	56,510	(2,510)
Capital Projects	477,000	631,073	(154,073)
Enterprise	644,744	644,767	(23)
Total	\$ 1,905,492	\$ 2,096,794	\$ (191,302)

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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 by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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 taxes, billing, collecting, and distributing all property taxes on behalf of the Village.

NOTE 5 – LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 6 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds	\$ 400,000	2.65-5.25%
Ohio Public Works Commission	80,000	0%
West Main Street G.O. Bond	825,000	3.75-4.60%
Sewer Improvement Special Assessment	250,000	2.65-5.25%
Total	<u>\$ 1,555,000</u>	

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 Street General Obligation Bond was issued on November 30, 2007 for the purpose of repaying the West Main Street G.O. Bond Anticipation Note for improving West Main Street. The bond will mature on December 1, 2022.

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.

Amortization of the above debt, including interest, follows:

Year Ending December 31	<u>OPWC Loans</u>	<u>Sewer Mortgage Revenue Bond</u>	<u>Sewer System Improvement Special Assessment</u>	<u>West Main Street GO Bond</u>
2008	\$ 5,000	\$ 54,523	\$ 21,275	\$ 75,078
2009	5,000	53,123	20,965	78,213
2010	5,000	51,635	20,635	76,525
2011	5,000	50,078	20,285	74,815
2012	5,000	53,450	19,910	78,060
2013-2017	25,000	255,963	116,230	379,400
2018-2022	25,000	-	108,850	376,040
2023-2024	5,000	-	43,130	-
	<u>\$ 80,000</u>	<u>\$ 518,772</u>	<u>\$ 371,280</u>	<u>\$ 1,138,131</u>

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 6 – DEBT OBLIGATIONS (continued)

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2007 was \$245,000, which includes the principal balance of \$245,000 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 a lease for a police cruiser in fiscal year 2006.

NOTE 7 – 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, 2007, the Village owed the County \$119,626, which represents payment for the system capacity charge for connection to the County's water system and attorney fees incurred by the County during underlying litigation.

NOTE 8 – RETIREMENT SYSTEM

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). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

NOTE 9 – RISK MANAGEMENT

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. 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 claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 9 – RISK MANAGEMENT (continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

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

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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 30,997,868	\$ 29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$ 15,122,127</u>	<u>\$ 13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 5,125,326	\$ 4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$ 4,262,163</u>	<u>\$ 3,375,087</u>

Village of Batavia
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 9 – RISK MANAGEMENT (continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$38,128. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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>	
2005	\$ 19,064
2006	\$ 19,107
2007	\$ 19,363

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of 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 sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

NOTE 10 – 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, 2007, the custodian held \$89,466.15 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

As disclosed in note 6, the Village has also defeased the Waterworks Plant Expansion 1967 bonds. At December 31, 2007, the custodian held \$47,007.22 in Village assets to retire the 1967 bonds.

NOTE 11 – ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio Revised Code section 5705.41B the village has expenditures in excess of appropriations in 2006 and 2007.

Contrary to Ohio Revised Code section 733.28 the village did not maintain a proper accounting system which allowed them to accurately state all monies received and expended during 2006 and 2007.

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Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the Village of Batavia, Clermont County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 25, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting. This item is identified in the accompanying schedule of findings as item 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated September 25, 2008.

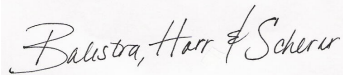
Compliance and Other Matters

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We did note a certain noncompliance or other matter that we reported to the Village's management a separate letter dated September 25, 2008.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the Village's management and the Village Council. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
September 25, 2008

**VILLAGE OF BATAVIA
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Significant Deficiency/ Material Weakness/Material Non-Compliance

Ohio Revised Code section 733.28 requires that the Village clerk keep the books of the village, exhibit accurate statements of all moneys received and expended. In addition Ohio Admin Code section 117-2-02-(A), requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village had several reclassifications and adjustments that were identified during the course of the audit. As a result of these errors, receipts and disbursements for certain line items and funds were incorrectly reported on the Annual Report. Significant reclassifications and adjustments were made to individual line items and funds on the financial statements. These errors and omissions were not prevented or detected by the Village's internal controls over financial reporting.

The accompanying financial statements were adjusted to reflect correction of this misstatement. The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported in accordance with the accounting basis the Village follows.

Client Response:

The Village is in the process of fully implementing the UAN accounting software which will enhance record keeping.

FINDING NUMBER 2007-002

Material Non-Compliance

Ohio Revised Code section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village had expenditures in excess of appropriations in the General fund and the Street II fund in 2006 and in the General and Capital Improvement fund for 2007.

The Village should monitor expenditures so they do not exceed lawful appropriations. Furthermore the Village should establish internal controls that would allow the Village's fiscal officer to do a monthly comparison of actual expenditures to appropriations and admen the Village's appropriations as needed.

Client Response:

As recommended the budget will be monitored closely. The UAN software will help this appropriation amendments will be made as necessary.

**VILLAGE OF BATAVIA
CLERMONT COUNTY
DECEMBER 31, 2007 AND 2006**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	ORC 733.28 accurate financial statements.	No	Reissued as 2007-001
2005-002	Ohio Admin. Code, Section 117-2-02(D) maintaining proper payroll documentation	Yes	



Mary Taylor, CPA
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
MARCH 31, 2009**