

VILLAGE OF BAILEY LAKES

ASHLAND COUNTY

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2000 AND 2001**

J. E. Slaybaugh & Associates, Inc.
Certified Public Accountant
12 East Main Street
Lexington, Ohio 44904



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Village Council
Village of Bailey Lakes
1244 Second Street
Ashland, Ohio 44805

We have reviewed the Independent Auditor's Report of the Village of Bailey Lakes, Ashland County, prepared by J.E. Slaybaugh & Associates, Inc., for the audit period January 1, 2000 through December 31, 2001. 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 Bailey Lakes is responsible for compliance with these laws and regulations.

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JIM PETRO
Auditor of State

July 15, 2002

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**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

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**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

1244 Second Street
Ashland, Ohio 44805

**ELECTED OFFICIALS
AS OF DECEMBER 31, 2001**

NAME	TITLE	TERM OF OFFICE	SURETY	AMOUNT	PERIOD
Kenneth Carpenter	Mayor	1/1/00-12/31/03	(A)	\$ 10,000	(B)
John R Benshoff	Council President	1/1/98 - 12/31/01	(A)	\$ 10,000	(B)
Jeff Ling	Council Member	1/1/98 - 12/31/01	(A)	\$ 10,000	(B)
Mary Webb	Council Member	1/1/01-12/31/04	(A)	\$ 10,000	(B)
Tom Metzger	Council Member	1/1/98 - 12/31/01	(A)	\$ 10,000	(B)
Tom Hulme	Council Member	1/1/01-12/31/04	(A)	\$ 10,000	(B)
Dorothy Scott	Council Member	1/8/01 - 12/31/01 *	(A)	\$ 10,000	(B)
Delores Frazier	Clerk/Treasurer	4/1/01 - 3/31/04	(A)	\$ 10,000	(B)
Richard DeWalt	Village Administrator	appointed	(A)	\$ 1,000	(B)

* appointed to complete term of office

Statutory Legal Counsel

David A Samsel, Village Solicitor
310 Cottage Street
Ashland, Ohio 44805

(A) Ohio Government Risk Management
(B) Concurrent With Term

J.E. Slaybaugh & Associates, Inc.
12 East Main Street
Lexington, Ohio 44904

Member AICPA
Member OSCP

John E. Slaybaugh III
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Bailey Lakes
Bailey Lakes, Ohio

We have audited the accompanying financial statements of the Village of Bailey Lakes, Ashland County, Ohio, as of and for the years ended December 31, 2001 and 2000. 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.

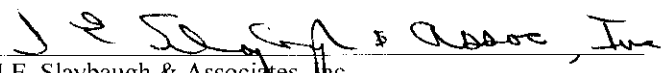
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 of the Village of Bailey Lakes, Ashland County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2002 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. This 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 management, the Village Council and other officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



J.E. Slaybaugh & Associates, Inc.
June 25, 2002

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<u>CASH RECEIPTS:</u>			
Local Taxes	\$ 2,300		\$ 2,300
Intergovernmental Revenues	53,160	\$ 12,453	65,613
Charges for Services	2,100		2,100
Fines, Licenses, and Permits	15		15
Interest	2,103		2,103
Miscellaneous	<u>1,031</u>		<u>1,031</u>
 Total cash Receipts	 60,709	 12,453	 73,162
<u>CASH DISBURSEMENTS:</u>			
Current:			
Security of Person and Property	7,727		7,727
Lesiure Time Activities	6,636		6,636
Community Environment	1,281		1,281
Transportation	7,239		7,239
General Government	22,988		22,988
Capital Outlay	<u>4,699</u>		<u>4,699</u>
 Total Cash Disbursements	 <u>50,570</u>	 <u>-</u>	 <u>50,570</u>
 Total Cash Receipts Over(Under) Cash Disbursements	 10,139	 12,453	 22,592
 Fund Cash Balances, January 1	 <u>56,129</u>	 <u>44,504</u>	 <u>100,633</u>
 Fund Cash Balances, December 31	 <u>\$ 66,268</u>	 <u>\$ 56,957</u>	 <u>\$ 123,225</u>

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

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH FUND BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise Fund</u>
<u>OPERATING CASH RECEIPTS:</u>	
Charges for Services	<u>\$ 115,239</u>
Total Cash Receipts	115,239
<u>OPERATING CASH DISBURSEMENTS:</u>	
Personal Services	3,498
Contractual Services	69,209
Supplies and Materials	8,067
Capital Outlay	<u>15,582</u>
Total Cash Disbursements	<u>96,356</u>
Total Cash Receipts over/(under) Cash Disbursements	18,883
<u>NON-OPERATING REVENUES</u>	
Other Non-operating revenue	5,000
<u>NON-OPERATING EXPENSES</u>	
Debt Service	17,491
Other Non-operating expenses	<u>5,000</u>
Excess of Cash Receipts over/(under) Cash Disbursements	1,392
Fund Cash Balance, January 1	<u>62,404</u>
Fund Cash Balance, December 31	<u>\$ 63,796</u>

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

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	(Memorandum Only)
<u>CASH RECEIPTS:</u>			
Local Taxes	\$ 4,291	\$ 2,025	\$ 6,316
Intergovernmental Revenues	51,880	10,557	62,437
Charges for Services	3,525		3,525
Fines, Licenses, and Permits	25		25
Miscellaneous	<u>1,957</u>		<u>1,957</u>
 Total cash Receipts	 61,678	 12,582	 74,260
<u>CASH DISBURSEMENTS:</u>			
Current:			
Security of Person and Property	4,964		4,964
Public Health	84		84
Lesiure Time Activities	13,706		13,706
Community Environment	1,531		1,531
Transportation	8,332		8,332
General Government	23,782		23,782
Capital Outlay	<u>1,501</u>		<u>1,501</u>
 Total Cash Disbursements	 <u>53,900</u>	 <u>-</u>	 <u>53,900</u>
 Total Cash Receipts Over(Under) Cash Disbursements	 7,778	 12,582	 20,360
 Fund Cash Balances, January 1	 <u>48,351</u>	 <u>31,922</u>	 <u>80,273</u>
 Fund Cash Balances, December 31	 <u>\$ 56,129</u>	 <u>\$ 44,504</u>	 <u>\$ 100,633</u>

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

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH FUND BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise Fund</u>
<u>OPERATING CASH RECEIPTS:</u>	
Charges for Services	<u>\$ 133,897</u>
Total Cash Receipts	133,897
<u>OPERATING CASH DISBURSEMENTS:</u>	
Personal Services	3,506
Contractual Services	68,345
Supplies and Materials	21,177
Capital Outlay	<u>16,911</u>
Total Cash Disbursements	<u>109,939</u>
Total Cash Receipts over/(under) Cash Disbursements	23,958
<u>NON-OPERATING REVENUES</u>	
Other Non-operating revenue	17,760
<u>NON-OPERATING EXPENSES</u>	
Debt Service	13,142
Other Non-operating expenses	<u>24,842</u>
Excess of Cash Receipts over/(under) Cash Disbursements	3,734
Fund Cash Balance, January 1	<u>58,670</u>
Fund Cash Balance, December 31	<u>\$ 62,404</u>

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

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Bailey Lakes, Ashland County (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 mayor and six member council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities) and development.

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

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 make adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Village funds are pooled in checking account with a local bank.

D. Fund Accounting

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

General Fund

The general fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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 Fund:

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

E. 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 - Receives charges for services from residents to cover the cost of providing this utility.

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

F. Budgetary Process

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

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 Village 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.

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.

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.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

G. 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.

2. Equity in Pooled Cash and Deposits

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

	<u>2001</u>	<u>2000</u>
Demand Deposits	<u>\$ 187,021</u>	<u>\$ 163,037</u>

Deposits

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

3. Budgetary Activity

Budgetary activity for the years ending December 31 was as follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 75,844	\$ 60,709	\$ (15,135)
Special Revenue	3,400	12,453	9,053
Enterprise Fund	<u>115,000</u>	<u>120,239</u>	<u>5,239</u>
Total	<u>\$ 194,244</u>	<u>\$ 193,401</u>	<u>\$ (843)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 131,972	\$ 50,570	\$ 81,402
Special Revenue	56,904	-	56,904
Enterprise	<u>177,404</u>	<u>118,847</u>	<u>58,557</u>
Total	<u>\$ 366,280</u>	<u>\$ 169,417</u>	<u>\$ 196,863</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 70,551	\$ 61,677	\$ (8,874)
Special Revenue	12,900	12,582	(318)
Enterprise Fund	<u>120,000</u>	<u>151,657</u>	<u>31,657</u>
Total	<u>\$ 203,451</u>	<u>\$ 225,916</u>	<u>\$ 22,465</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 118,903	\$ 53,900	\$ 65,003
Special Revenue	44,823	-	44,823
Enterprise	<u>78,672</u>	<u>140,841</u>	<u>(62,169)</u>
Total	<u>\$ 242,398</u>	<u>\$ 194,741</u>	<u>\$ 47,657</u>

4. 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 payment, the first half is due December 31. The second half is due the following June 20.

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.

5. Debt

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	129,703	various
Total	<u>\$ 129,703</u>	

The Village is obligated to the Ohio Water Development Authority (OWDA) on a notes issued for improvements to the Village water and sewer lines.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OWDA
2002	\$ 21,342
2003	22,642
2004	23,242
2005	24,542
2006	25,342
later years	<u>12,593</u>
Totals	<u>\$ 129,703</u>

6. Retirement System

The Village's full-time employees elected to contribute to Social Security and Medicare. All required payments were made at December 31, 2001.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public official's liability

Coverage is provided by Ohio Government Risk Management Plan.

J.E. Slaybaugh & Associates, Inc.
12 East Main Street
Lexington, Ohio 44904

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Member OSCP

John E. Slaybaugh 111
Certified Public Accountant

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

Village Council
Village of Bailey Lakes
Bailey Lakes, Ohio

We have audited the financial statements of the Village of Bailey Lakes, Ashland County, Ohio, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 25, 2002. 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.

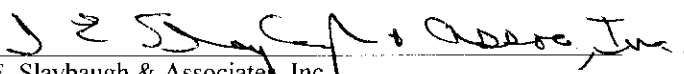
Compliance

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 a certain immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated June 25, 2002.

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.

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


J.E. Slaybaugh & Associates, Inc.
June 25, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF BAILEY LAKES

ASHLAND 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
AUGUST 6, 2002**