

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY**

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 1998 AND 1999**

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 St.
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, 1998 to December 31, 1999. 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.

JIM PETRO
Auditor of State

July 26, 2000

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

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At December 31, 1998 and 1999

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Village of Bailey Lakes

Independent Auditor's Report on Compliance Based on an
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VILLAGE OF BAILEY LAKES
1244 SECOND STREET
ASHLAND, OHIO 44805
ASHLAND COUNTY

ELECTED OFFICIALS
AS OF DECEMBER 31, 1999

<u>NAME</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>Mayor</u>				
Kenneth Carpenter	1/1/96-12/31/99	(A)	\$10,000	(B)
<u>Council Members</u>				
<u>President Pro-Tempore</u>				
John R Benschoff	1/1/97-12/31/99	(A)	\$ 10,000	(B)
Mary Webb	1/1/99-12/31/01	(A)	\$ 10,000	(B)
Jeff Ling	1/1/97-12/31/99	(A)	\$ 10,000	(B)
Thomas Metzger	1/1/97-12/31/99	(A)	\$ 10,000	(B)
Harry Tucker	1/1/99-12/31/01	(A)	\$ 10,000	(B)
Polly Scott	1/1/97-12/31/99	(A)	\$ 10,000	(B)

Legal Counsel

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

ADMINISTRATIVE PERSONNEL AS OF DECEMBER 31, 1996 AND 1997

Clerk Treasurer

Delores Frazier 4/1/97-3/31/2001 (A) \$10,000 (B)

Village Administrator

Richard Dewalt 12/27/93-Current (A) \$ 1,000 (B)

(A) Ohio Government Risk Management Plan

(B) Covers term of Office

J. E. Slaybaugh & Associates, Inc.

12 East Main Street

Lexington, Ohio 44904

Member AICPA

Member OSCPA

John E. Slaybaugh III

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Bailey Lakes
Ashland County

We have audited the accompanying financial statements of the Village of Bailey Lakes, Ashland County, as of and for the years ended December 31, 1998 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Village of Bailey Lakes's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of Bailey Lakes 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, budgets, and reserves for encumbrances of the Village of Bailey Lakes, Ashland County as of December 31, 1998 and 1999, 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 a report dated June 16, 2000, on our consideration of Village of Bailey Lakes's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, 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.

J.E. Slaybaugh & Associates, Inc.

Lexington, Ohio

June 16, 2000

EXHIBIT A

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

COMBINED STATEMENT OF INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 1998

CASH	<u>\$ 79,807</u>
TOTAL	<u>\$ 79,807</u>

CASH BALANCES BY FUND TYPE

GOVERNMENT FUNDS:

GENERAL FUND	\$ 19,281
SPECIAL REVENUE FUND	32,879

PROPRIETARY FUNDS:

ENTERPRISE FUNDS	<u>27,647</u>
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TOTAL	<u>\$ 79,807</u>
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The notes to the financial statements are an integral part of this statement.

EXHIBIT B
VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
<u>RECEIPTS:</u>			
Local Taxes	\$ 3,761	\$ 1,903	\$ 5,664
Intergovernmental Revenues	48,155	10,593	58,748
Charges for Services	2,725		2,725
Miscellaneous	<u>1,175</u>	<u>-</u>	<u>1,175</u>
TOTAL RECEIPTS	55,816	12,496	68,312
<u>DISBURSEMENTS:</u>			
Current:			
Security of Person and Property	3,692		3,692
Public Health	174		174
Leisure Time Activities	10,377		10,377
Community Environment	1,826		1,826
Transportation	9,090	50	9,140
General Government	24,963		24,963
Capital Outlay	<u>7,000</u>	<u>-</u>	<u>7,000</u>
TOTAL DISBURSEMENTS	57,122	50	57,172
Total Receipts Over(Under)	(1,306)	12,446	11,140
Disbursements			

The notes to the financial statements are an integral part of the financial statements

EXHIBIT B
 VILLAGE OF BAILEY LAKES
 ASHLAND COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998

OTHER FINANCING SOURCES/(USES)		
Transfers-Out	<u>(2,000)</u>	<u>(2,000)</u>
TOTAL OTHER FINANCING SOURCES/(USES)	<u>(2,000)</u>	<u>(2,000)</u>
Excess of Receipts and Other Financing	(3,306)	9,140
Sources Over/(Under) Disbursements and Other Uses	22,587	43,020
Fund Cash Balance, January 1	<u>20,433</u>	<u>43,020</u>
Fund Cash Balance, December 31	<u>\$ 19,281</u>	<u>\$ 52,160</u>

The notes to the financial statements are an integral part of the financial statements

EXHIBIT C

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Enterprise Fund
<u>OPERATING REVENUES</u>	
Charges for Services	<u>\$ 98,916</u>
 TOTAL OPERATING REVENUES	 98,916
 OPERATING EXPENSES:	
Personal Services	3,469
Travel Transportation	25
Contractual Services	51,535
Supplies and Materials	8,903
Capital Outlay	<u>30,074</u>
TOTAL OPERATING EXPENSES	<u>94,006</u>
 OPERATING INCOME/(LOSS)	 4,910
 <u>EXCESS OF REVENUES OVER/(UNDER) EXPENSES BEFORE INTERFUND TRANSFERS AND ADVANCES</u>	
Transfers-In	<u>2,000</u>
 NET REVENUES OVER/(UNDER) EXPENSES	 6,910
 Beginning Fund Balance, January 1	 <u>20,737</u>
Ending Fund Balance, December 31	<u>\$ 27,647</u>

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

EXHIBIT D

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
AS OF DECEMBER 31, 1998

<u>FUND TYPE/FUND</u>	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
GOVERNMENT FUNDS:			
GENERAL FUND	\$ 68,195	\$ 55,816	\$ 12,379
SPECIAL REVENUE FUND	12,400	12,496	(96)
PROPRIETARY FUNDS:			
ENTERPRISE FUNDS	<u>96,800</u>	<u>98,916</u>	<u>(2,116)</u>
TOTAL	<u>\$ 177,395</u>	<u>\$ 154,732</u>	<u>\$ 22,663</u>

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

EXHIBIT E
 VILLAGE OF BAILEY LAKES
 ASHLAND COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 BUDGET AND ACTUAL
 AS OF DECEMBER 31, 1998

<u>FUND TYPE/FUND</u>	Reserve for Encumbrances at 12/31/97	1998 Appropriations	<u>Total</u>	Actual 1998 Disbursements	Reserve for Encumbrances 12/31/98	<u>Total</u>	Variance Favorable (Unfavorable)
GOVERNMENT FUNDS:							
GENERAL FUND	\$ 22,587	\$ 90,672	\$ 113,259	\$ 57,122	\$ -	\$ 57,122	\$ 56,137
SPECIAL REVENUE FUND	20,432	32,200	52,632	50	-	50	52,582
	<u>20,736</u>	<u>117,662</u>	<u>138,398</u>	<u>94,006</u>	<u>-</u>	<u>94,006</u>	<u>44,392</u>
PROPRIETY FUNDS:							
ENTERPRISE FUNDS							
	<u>\$ 63,755</u>	<u>\$ 240,534</u>	<u>\$ 304,289</u>	<u>\$ 151,178</u>	<u>\$ -</u>	<u>\$ 151,178</u>	<u>\$ 153,111</u>

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

EXHIBIT A(1)

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

COMBINED STATEMENT OF INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 1999

CASH	<u>\$ 138,943</u>
TOTAL	<u>\$ 138,943</u>

CASH BALANCES BY FUND TYPE

GOVERNMENT FUNDS:

GENERAL FUND	\$ 48,351
SPECIAL REVENUE FUND	31,922

PROPRIETARY FUNDS:

ENTERPRISE FUNDS	<u>58,670</u>
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TOTAL	<u>\$ 138,943</u>
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The notes to the financial statements are an integral part of this statement.

EXHIBIT B(1)
 VILLAGE OF BAILEY LAKES
 ASHLAND COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
	<u>Revenue</u>	<u>Revenue</u>	<u>Only)</u>
<u>RECEIPTS:</u>			
Local Taxes	\$ 3,619	\$ 1,738	\$ 5,357
Intergovernmental Revenues	50,210	11,228	61,438
Charges for Services	1,909		1,909
Miscellaneous	1,586	-	1,586
TOTAL RECEIPTS	57,324	12,966	70,290
<u>DISBURSEMENTS:</u>			
Current:			
Security of Person and Property	2,446		2,446
Public Health	87		87
Leisure Time Activities	4,166		4,166
Community Environment	694		694
Transportation	4,840	13,925	18,765
General Government	16,021	-	16,021
TOTAL DISBURSEMENTS	28,254	13,925	42,179
Total Receipts Over(Under)	29,070	(959)	28,111
Disbursements			

The notes to the financial statements are an integral part of the financial statements

EXHIBIT B(1)
 VILLAGE OF BAILEY LAKES
 ASHLAND COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

OTHER FINANCING SOURCES/(USES)	-		
Transfers-Out	-		
TOTAL OTHER FINANCING SOURCES/(USES)	-		
Excess of Receipts and Other Financing		28,111	
Sources Over/(Under) Disbursements and Other Uses	29,070	(959)	
Fund Cash Balance, January 1	19,281	32,881	52,162
Fund Cash Balance, December 31	\$ 48,351	\$ 31,922	<u>\$ 80,273</u>

The notes to the financial statements are an integral part of the financial statements

EXHIBIT C(1)

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise <u>Fund</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 115,561
Miscellaneous	<u>11,841</u>
TOTAL OPERATING REVENUES	127,402
 OPERATING EXPENSES:	
Personal Services	3,488
Contractual Services	55,830
Supplies and Materials	7,007
Capital Outlay	<u>30,053</u>
TOTAL OPERATING EXPENSES	<u>96,378</u>
 OPERATING INCOME/(LOSS)	 31,024
 <u>EXCESS OF REVENUES OVER/(UNDER) EXPENSES BEFORE INTERFUND TRANSFERS AND ADVANCES</u>	
Transfers-In	-
Transfers-Out	<u>-</u>
NET REVENUES OVER/(UNDER) EXPENSES	31,024
 Beginning Fund Balance, January 1	 <u>27,646</u>
Ending Fund Balance, December 31	<u>\$ 58,670</u>

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

EXHIBIT D(1)

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
AS OF DECEMBER 31, 1999

<u>FUND TYPE/FUND</u>	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
GOVERNMENT FUNDS:			
GENERAL FUND	\$ 71,656	\$ 57,324	\$ 14,332
SPECIAL REVENUE FUND	12,500	12,966	(466)
PROPRIETARY FUNDS:			
ENTERPRISE FUNDS	<u>102,000</u>	<u>127,402</u>	<u>(25,402)</u>
TOTAL	<u>\$ 186,156</u>	<u>\$ 184,726</u>	<u>\$ 1,430</u>

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

EXHIBIT E
 VILLAGE OF BAILEY LAKES
 ASHLAND COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 BUDGET AND ACTUAL
 AS OF DECEMBER 31, 1999

<u>FUND TYPE/FUND</u>	Reserve for Encumbrances at 12/31/98	1999 Appropriations	Total	Actual 1999 Disbursements	Reserve for Encumbrances 12/31/99	Total	Variance Favorable (Unfavorable)
GOVERNMENT FUNDS:							
GENERAL FUND	\$ -	\$ 90,705	\$ 90,705	\$ 28,254	\$ -	\$ 28,254	\$ 62,451
SPECIAL REVENUE FUND	-	45,612	45,612	13,925	-	13,925	31,687
PROPRIETY FUNDS:							
ENTERPRISE FUNDS	-	129,646	129,646	96,378	-	96,378	33,268
TOTAL	\$ -	\$ 265,963	\$ 265,963	\$ 138,557	\$ -	\$ 138,557	\$ 127,406

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

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF ENTITY

The Village of Bailey Lakes is a body politic and incorporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a mayor-council form of government. Services provided by the Village include public health and safety, basic utility, recreation and development.

Management believes the financial statements included in this report represent all of the funds over which the Village has direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements on a 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.)

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund accounting". Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

GOVERNMENTAL FUNDS

General Fund

The General fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects), that are legally restricted to disbursements for specified purposes.

PROPRIETARY FUNDS

Enterprise Funds

To account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

E. BUDGETARY PROCESS

Budget

A budget of estimated cash receipts and disbursements is submitted to the Village Council for annual approval.

Estimated Resources

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 projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the proceeding year. 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 or estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying fund balances. However, those fund balances are available for appropriation.

Appropriations

A temporary appropriation ordinance to control disbursements is passed prior to the beginning of the next fiscal year. An annual appropriation measure is passed by April 1, of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law and the Village's Charter. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no encumbrances for the period ending December 31, 1998 and 1999.

F. PROPERTY AND EQUIPMENT

Fixed Assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type elimination's have not been made in the aggregation of this data.

H. EQUITY IN POOLED INVESTMENTS

Legal Requirements

Statutes require the classification of monies held by the Village into three categories.

Category 1 consist of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the Village. Such monies must be maintained either as cash in the Village treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes or other obligations of or guaranteed by the United States, or those fro which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying interim deposits;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

Deposits

At the year-ending December 31, 1998 and December 31, 1999, the Village's book balance was \$ 79,806 and \$ 138,946 respectively, and the bank balance was \$ 95,471 and \$ 159,251. The bank balance was collateralized by FDIC.

I. DEBT OBLIGATION

Debt outstanding at the end of December 31, 1998 and December 31, 1999 consist of the following:

	<u>12/31/98</u>	<u>12/31/99</u>
O.W.D.A.	\$ 172,084	\$ 160,336

J. PROPERTY TAX

The Ashland County Treasurer collects property tax on behalf of all taxing districts within the county. The Ashland County Auditor periodically remits to the taxing districts their portions of the taxes collected.

K. EMPLOYEE RETIREMENT SYSTEM

The employees of the Village were covered by the Public Employees Retirement System of Ohio. The State of Ohio accounts for the activities of the retirement system, and the amount of that fund is not reflected in the accompanying financial statements. As of December 31, 1998 and 1999, the employees contributed 8.5 percent of their gross wages. The Village matched this with a contribution equal to 13.55 percent of the employees' gross wages.

L. RISK MANAGEMENT

The village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The Village maintains law enforcement liability, public officials liability, and commercial liability coverage's with limits of \$ 1,000,000.

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village Council
Village of Bailey Lakes
Ashland County

We have audited the financial statements of Village of Bailey Lakes, Ashland County, as of and for the years ended December 31, 1998 and 1999, and have issued our report thereon dated June 16, 2000.

We conducted our audit in accordance with generally accepted auditing standards 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 Village of Bailey Lakes'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control

In planning and performing our audit, we considered Village of Bailey Lakes'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 solely for the information of the officials authorized to receive this report under Section 117.26, 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.

J.E. Slaybaugh & Associates, Inc.

Lexington, Ohio

June 16, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

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 22, 2000**