

VILLAGE OF LEXINGTON

LEXINGTON, OHIO

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 1999 AND 2000**

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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Village Council
Village of Lexington
44 West Main Street
Lexington, Ohio 44904

We have reviewed the Independent Auditor's Report of the Village of Lexington, Richland County, prepared by J E Slaybaugh & Associates, Inc., for the audit period January 1, 1999 through December 31, 2000. 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 Lexington is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 20, 2001

**VILLAGE OF LEXINGTON, OHIO
RICHLAND COUNTY**

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 2000

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**VILLAGE OF LEXINGTON, OHIO
RICHLAND COUNTY**

44 West Main Street
Lexington, Ohio 44904

**ELECTED OFFICIALS
AS OF DECEMBER 31, 2000**

NAME	TITLE	TERM OF OFFICE	SURETY	AMOUNT	PERIOD
Eugene Parkison	Mayor 289 Silvercrest Drive Lexington, OH 44904	1/1/00 - 12/31/03	(A)	\$ 2,000	(B)
Kim Little	President Pro-Tempore	1/1/98 - 12/31/01			
Charles Hansen	Council Member	1/1/98 - 12/31/01			
Helen Stephens	Council Member	01/01/01-12/31/03			
Adam Gongwer	Council Member	01/01/01-12/31/03			
Robert Heckathorn	Council Member	1/1/98 - 12/31/01			
Jeffrey Carter	Council Member	1/1/98 - 12/31/01			
Thomas Schonauer	Council Member	01/01/01-12/31/01			

Statutory Legal Counsel

Harry M. Welsh, Atty
9 North Mulberry St.
Mansfield, OH 44902

ADMINISTRATIVE PERSONNEL

Administrative Director Charles F. Pscholka	continous	(A)	\$ 10,000	(B)
Finance Director James L. Banks, CPA	continous	(A)	\$ 25,000	(B)

(A) Ohio Farmer's Insurance Company
(B) Concurrent With Term

J. E. SLAYBAUGH & ASSOCIATES, INC.

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Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

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*John E. Slaybaugh III
Certified Public Accountant*

Village Council
Village of Lexington, Richland County
44 West Main Street
Lexington, Ohio 44904

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Village of Lexington, Richland County, Ohio, as of and for the years ended December 31, 1999 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 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 described 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 Village of Lexington, Richland County, Ohio, as of December 31, 1999 and 2000, 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 May 29, 2001 on our consideration of the Village'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 management, and other 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
May 29, 2001

VILLAGE OF LEXINGTON, OHIO
 RICHLAND COUNTY

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>		
<u>REVENUE RECEIPTS:</u>					
Local Taxes	\$ 1,489,466	\$ 74,961			\$ 1,564,427
Intergovernmental Revenues	171,027	228,944		\$ 82,656	482,627
Special Assessments		1,286	\$ 14,760		16,046
Charges for Services	1,800				1,800
Fines, Licenses, and Permits	51,776	710			52,486
Miscellaneous	146,181	28,769		5,435	180,385
Total Revenue Receipts	1,860,250	334,670	14,760	5,435	2,297,771
<u>EXPENDITURE DISBURSEMENTS:</u>					
Current:					
Security of Persons and Property	559,758	62,386			622,144
Leisure Time Activities	131,880	290,441			422,321
Community Environment	10,933				10,933
Basic Utility Services				4,429	4,429
Transportation		785,850			785,850
General Government	643,826	2,108			645,934
Debt Service			145,648		309,414
Total Expenditure Disbursements	1,346,397	1,140,785	145,648	4,429	2,801,025
Total Revenue Receipts Over/(Under) Expenditure Disbursements	513,853	(806,115)	(130,888)	1,006	(503,254)

VILLAGE OF LEXINGTON, OHIO
 RICHLAND COUNTY

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

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
	General	Special Revenue	Debt Service Capital Projects		
<u>OTHER FINANCING SOURCES/USES</u>					
Sale of Fixed Assets		15,005			15,005
Transfers-In	1,300	541,519	123,155		676,974
Advances In		25,250	51,000		76,250
Transfers-Out	(603,674)	(1,300)			(604,974)
Advances Out	(76,250)				(76,250)
Total Other Financing Sources/ Uses	(678,624)	580,474	123,155	-	87,005
Excess of Receipts and Other Financing Sources Over/(Under) Expenditure Disbursements and Other Uses	(164,771)	(225,641)	(7,733)	1,006	(416,249)
Fund Cash Balance, January 1	884,569	342,973	24,127	5,165	1,356,324
Fund Cash Balance, December 31	\$ 719,798	\$ 117,332	\$ 16,394	\$ 6,171	\$ 940,075
Reserve for Encumbrances, December 31	\$ 48,767	\$ 6,756	\$ -	\$ -	\$ 55,523

VILLAGE OF LEXINGTON, OHIO
 RICHLAND COUNTY

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

	<u>Enterprise Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
<u>OPERATING REVENUES:</u>			
Charges for Services	\$ 618,785		\$ 618,785
Total Operating Revenues	618,785		618,785
<u>OPERATING EXPENSES:</u>			
Personal Services	187,314		187,314
Travel Transportation	4,303		4,303
Contractual Services	89,575		89,575
Supplies and Materials	25,610		25,610
Capital Outlay	<u>73,246</u>		<u>73,246</u>
Total Operating Expenses	<u>380,048</u>		<u>380,048</u>
Operating Receipts Over/(Under) Operating Disbursements	238,737		238,737
<u>NON-OPERATING REVENUE:</u>			
Sale of Fixed Assets	8,502		8,502
Other Sources		54,986	54,986
<u>NON-OPERATING EXPENSES:</u>			
Debt Service	41,000		41,000
Other Non-Operating Expenses	2,332		2,332
Other Uses		<u>56,828</u>	<u>56,828</u>
Total Non-Operating Expenses	43,332	56,828	100,160
EXCESS OF REVENUES OVER/(UNDER) EXPENSES BEFORE INTERFUND TRANSFERS AND ADVANCES	203,907	(1,842)	202,065
Transfers - Out	<u>(72,000)</u>		<u>(72,000)</u>
NET REVENUES OVER/(UNDER) EXPENSES	131,907	(1,842)	130,065
Beginning Fund Balance, January 1	<u>202,508</u>	<u>4,983</u>	<u>207,491</u>
Ending Fund Balance, December 31	<u>\$ 334,415</u>	<u>\$ 3,141</u>	<u>\$ 337,556</u>

VILLAGE OF LEXINGTON, OHIO
RICHLAND COUNTY

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

	<u>Governmental Fund Types</u>			Fiduciary Fund Type Expendable Trust	<u>Total</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>		
<u>REVENUE RECEIPTS:</u>					
Local Taxes	\$ 1,722,992	\$ 110,683			\$ 1,833,675
Intergovernmental Revenues	117,422	227,280		\$ 49,712	394,414
Special Assessments		2,619	\$ 16,439		19,058
Charges for Services	1,763				1,763
Fines, Licences, and Permits	39,167	981			40,148
Miscellaneous	75,572	15,589		\$ 4,522	95,683
Total Revenue Receipts	1,956,916	357,152	16,439	4,522	2,384,741

EXPENDITURE DISBURSEMENTS:

Current:					
Security of Persons and Property	528,093	87,712			615,805
Leisure Time Activities	134,938	38,730			173,668
Community Environment	12,002			4,640	16,642
Transportation		333,188			333,188
General Government	384,046	1,161			385,207
Capital Outlay	177,998	188,040		47,772	413,810
Debt Service			147,099	21,430	168,529
Total Expenditure Disbursements	1,237,077	648,831	147,099	69,202	2,106,849
Total Revenue Receipts Over/(Under) Expenditure Disbursements	719,839	(291,679)	(130,660)	(19,490)	277,892

VILLAGE OF LEXINGTON, OHIO
 RICHLAND COUNTY

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

	<u>Governmental Fund Types</u>			Fiduciary Fund Type Expendable Trust	<u>Total</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>		
<u>OTHER FINANCING SOURCES/USES</u>					
Sale of Fixed Assets	809	16,051			16,860
Transfers-In	50,858	479,460	128,104	2,000	767,432
Transfers-Out	(599,276)	(5,359)			(612,319)
Other Uses	(68,560)				(68,560)
Total Other Financing Sources/ Uses	(616,169)	490,152	128,104	2,000	103,413
Excess of Receipts and Other Financing Sources Over/(Under) Expenditure Disbursements and Other Uses	103,670	198,473	(2,556)	1,882	381,305
Fund Cash Balance, January 1	780,899	144,500	26,683	3,283	975,019
Fund Cash Balance, December 31	<u>\$ 884,569</u>	<u>\$ 342,973</u>	<u>\$ 24,127</u>	<u>\$ 5,165</u>	<u>\$ 1,356,324</u>

VILLAGE OF LEXINGTON, OHIO
RICHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS -
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Enterprise Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
<u>OPERATING REVENUES:</u>			
Charges for Services	\$ 615,112		\$ 615,112
Maintenance	<u>1,494</u>		<u>1,494</u>
Total Operating Revenues	616,606		616,606
<u>OPERATING EXPENSES:</u>			
Personal Services	216,031		216,031
Travel Transportation	6,388		6,388
Contractual Services	78,698		78,698
Supplies and Materials	60,133		60,133
Capital Outlay	<u>6,342</u>		<u>6,342</u>
Total Operating Expenses	<u>367,592</u>		<u>367,592</u>
Operating Receipts Over/(Under) Operating Disbursements	249,014		249,014
<u>NON-OPERATING REVENUE:</u>			
Other Sources		35,697	35,697
<u>NON-OPERATING EXPENSES:</u>			
Debt Service	41,000		41,000
Other Non-Operating Expenses	3,720		3,720
Other Uses		<u>35,759</u>	<u>35,759</u>
Total Non-Operating Expenses	44,720	35,759	80,479
EXCESS OF REVENUES OVER/(UNDER) EXPENSES BEFORE INTERFUND TRANSFERS AND ADVANCES	204,294	(62)	204,232
Transfers - Out	<u>(114,113)</u>		<u>(114,113)</u>
NET REVENUES OVER/(UNDER) EXPENSES	90,181	(62)	90,119
Beginning Fund Balance, January 1	<u>112,327</u>	<u>5,045</u>	<u>117,372</u>
Ending Fund Balance, December 31	<u>\$ 202,508</u>	<u>\$ 4,983</u>	<u>\$ 207,491</u>

**VILLAGE OF LEXINGTON, OHIO
RICHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Description of the Entity

The Village of Lexington, Richland County 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 citizens of Lexington, Ohio on November 2, 1976 voted to adopt the Charter Of The Municipality Of Lexington, to be effective January 1, 1978. The municipal government provided for by this Charter is known as the "Mayor-Council-Administrative Director Plan". The village is directed by a publicly elected mayor and seven member council, who appoint an administrative director. The Charter created the position of Finance Director, replacing the office of Clerk-Treasurer, which became an appointed position effective January 1, 1980. The Charter also establishes its' own purchasing procedures governed by the Administrative Director and Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), fire protection and police services.

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 Investments

Certificates of Deposit is valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

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.

Parks and Recreation Fund - This fund receives general and tangible personal property tax money for the operation of the Village parks department.

E. Debt Service Fund

This fund is used to accumulate resources for the payment of bond and note indebtedness:

F. Capital Projects Fund

This fund is used for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

G. 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.

H. Fiduciary Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds, Nonexpendable Trust Funds, and Agency Funds.

Mayor's Court -

Financial accountability for the Mayor's Court is that of an agent, acting in a fiduciary capacity for others. The court has no equity or ownership over the monies it controls. By virtue of Ohio law, the monies collected are distributed within a specific period of time to specific recipients. The records are kept on a cash basis.

I. 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 1999 and 2000 budgetary activity appears in Note 3.

J. 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.

K. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. Equity in Pooled 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 at the years ended December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand Deposits	\$ 119,160	\$ 523,006
Certificates of Deposit	928,360	200,000
STAR Ohio	226,970	835,826
Mayor's Court	<u>3,141</u>	<u>4,983</u>
 Total deposits	 <u>\$ 1,277,631</u>	 <u>\$ 1,563,815</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:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,665,200	\$ 1,861,550	\$ 196,350
Special Revenue	479,364	916,444	437,080
Debt Service	159,968	137,915	(22,053)
Capital Projects	136,523	144,656	8,133
Expendable Trust	4,500	5,435	935
Enterprise	<u>600,000</u>	<u>627,287</u>	<u>27,287</u>
 Total	 <u>\$ 3,045,555</u>	 <u>\$ 3,693,287</u>	 <u>\$ 647,732</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,103,273	\$ 2,026,321	\$ 76,952
Special Revenue	1,171,646	1,142,085	29,561
Debt Service	146,088	145,648	440
Capital Projects	182,483	163,766	18,717
Expendable Trust	6,635	4,429	2,206
Enterprise	<u>527,307</u>	<u>423,380</u>	<u>103,927</u>
Total	<u>\$ 4,137,432</u>	<u>\$ 3,905,629</u>	<u>\$ 231,803</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,530,100	\$ 2,008,583	\$ 478,483
Special Revenue	763,415	852,663	89,248
Debt Service	143,103	144,543	1,440
Capital Projects	191,910	156,722	(35,188)
Expendable Trust	5,672	6,522	850
Enterprise	<u>569,300</u>	<u>616,606</u>	<u>47,306</u>
Total	<u>\$ 3,203,500</u>	<u>\$ 3,785,639</u>	<u>\$ 582,139</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,137,945	\$ 1,904,913	\$ 233,032
Special Revenue	881,334	654,190	227,144
Debt Service	148,003	147,099	904
Capital Projects	222,550	76,886	145,664
Expendable Trust	4,700	4,640	60
Enterprise	<u>538,819</u>	<u>526,425</u>	<u>12,394</u>
Total	<u>\$ 3,933,351</u>	<u>\$ 3,314,153</u>	<u>\$ 619,198</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.

Public utilities are also taxed on personal 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.

5. Debt

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable - Water Project	\$ 123,000	5.00%
Water Treatment Plant Bond Payable	260,000	5.90%
Orchard Park Water/Sewer & Road Project Bond Payable	205,000	5.35%
Village Hall Bond Payable	<u>50,000</u>	variable
Total	<u>\$ 638,000</u>	

Outstanding water project bonds consist of water and sewer improvement and road construction issues. These construction bonds are a direct obligation of the Village for which its full faith credit and resources are pledged and are payable from taxes on all taxable property in the Village.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Water Project	Treatment Plant	Orchard Park	Village Hall
2001	\$ 41,000	\$ 35,000	\$ 35,000	\$ 50,000
2002	41,000	35,000	40,000	
2003	41,000	35,000	40,000	
2004		35,000	45,000	
2005		40,000	45,000	
later years	<u> </u>	<u>80,000</u>	<u> </u>	<u> </u>
Totals	<u>\$ 123,000</u>	<u>\$ 260,000</u>	<u>\$ 205,000</u>	<u>\$ 50,000</u>

6. Retirement System

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 1999 and 2000, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55 % of participant's gross salaries. The Village has paid all contributions required through December 31, 2000

The policemen of the Village are covered by the Police and Firemen's Disability Pension Fund, also accounted for by the State of Ohio. For 1999 and 2000, policemen contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of the participant's gross salaries. The Village has paid all contributions required through December 31, 2000.

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 CAN Insurance Companies .

A Commercial Catastrophe Liability Policy for public officials and law enforcement is provided through Selective Insurance Company of South Carolina.

The Village also provides health insurance to its full-time employee through a private carrier.

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
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village Council
Village of Lexington, Richland County
44 West Main Street
Lexington, Ohio 44904

We have audited the financial statements of Village of Lexington, Richland County, as of and for the years ended December 31, 1999 and 2000, and have issued our report thereon dated May 29, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether Village of Lexington's financial statements are free of material misstatement, we performed tests of its compliance with certain laws and regulations, 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 Lexington'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 structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, and other 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

May 29, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF LEXINGTON

RICHLAND 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
JUNE 28, 2001**