

VILLAGE OF BAILEY LAKES

ASHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2005 and 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Members of Council
Village of Bailey Lakes
PO Box 989
1244 Second Street
Ashland, Ohio 44805

We have reviewed the *Report of Independent Accountants* of the Village of Bailey Lakes, Ashland County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2005. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS 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 Bailey Lakes is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 16, 2006

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VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO

Audit Report
For the Years ended December 31, 2005 and 2004

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Honorable Mayor and Members
of Village Council
Village of Bailey Lakes
Ashland, Ohio

We have audited the accompanying financial statements of the Village of Bailey Lakes (Village), Ashland County, Ohio as and for the years ended December 31, 2005 and 2004. 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 Standards*. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position 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 of Village of Bailey Lakes, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 June 27, 2006, 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, grant agreements and other matters. While we did not opine on the 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 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.

Charles E. Harris & Associates, Inc.
June 27, 2006

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2005**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$ 5,120	\$ -	\$ 5,120
Intergovernmental	64,827	18,728	83,555
Earnings on Investments	505	-	505
Charges for Services	3,000	-	3,000
Fines, Licences, and Permits	550	-	550
Miscellaneous	1,804	1,248	3,052
Total Cash Receipts	75,806	19,976	95,782
Cash Disbursements:			
Security of Persons & Property	10,379	-	10,379
Public Health Services	160	-	160
Leisure Time Activities	11,172	-	11,172
Community Environment	3,104	-	3,104
Transportation	34,381	39,875	74,256
General Government	29,281	-	29,281
Total Cash Disbursements	88,477	39,875	128,352
Cash Receipts Over/(Under) Cash Disbursements	(12,671)	(19,899)	(32,570)
Fund Balance, January 1, 2005	30,729	32,296	63,025
Fund Balance, December 31, 2005	\$ 18,058	\$ 12,397	\$ 30,455

See accompanying Notes to the Financial Statements.

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
For the Year Ended December 31, 2005**

	Proprietary Fund Type Enterprise
Cash Receipts:	
Charges for Services	\$ 118,135
Fines, Licenses and Permits	4,800
Total Cash Receipts	122,935
Cash Disbursements:	
Contractual Services	90,467
Materials and Supplies	13,323
Total Cash Disbursements	103,790
Cash Receipts Over/(Under) Cash Disbursements	19,145
Non-Operating Expenses	
Debt Service:	
Principal	(25,034)
Interest	(5,533)
Total Non-Operating Expenses	(30,567)
Net Cash Receipts Over/(Under) Cash Disbursements	(11,422)
Fund Balance, January 1, 2005	34,043
Fund Balance, December 31, 2005	\$ 22,621

See accompanying Notes to the Financial Statements.

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2004**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$ 5,077	\$ -	\$ 5,077
Intergovernmental	57,731	15,745	73,476
Earnings on Investments	372	-	372
Charges for Services	4,025	-	4,025
Fines, Licences, and Permits	200	-	200
Miscellaneous	1,730	-	1,730
Total Cash Receipts	69,135	15,745	84,880
Cash Disbursements:			
Security of Persons & Property	9,548	-	9,548
Public Health Services	362	-	362
Leisure Time Activities	12,292	-	12,292
Community Environment	2,600	-	2,600
Transportation	1,483	35,475	36,958
General Government	36,445	-	36,445
Capital Outlay	248	-	248
Total Cash Disbursements	62,978	35,475	98,453
Cash Receipts Over/(Under) Cash Disbursements	6,157	(19,730)	(13,573)
Fund Balance, January 1, 2004	24,572	52,026	76,598
Fund Balance, December 31, 2004	\$ 30,729	\$ 32,296	\$ 63,025

See accompanying Notes to the Financial Statements.

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
For the Year Ended December 31, 2004**

	Proprietary Fund Type Enterprise
Cash Receipts:	
Charges for Services	\$ 126,479
Total Cash Receipts	126,479
Cash Disbursements:	
Personal Services	332
Contractual Services	84,863
Materials and Supplies	13,513
Total Cash Disbursements	98,708
Cash Receipts Over/(Under) Cash Disbursements	27,771
Non-Operating Expenses	
Debt Service:	
Principal	(22,609)
Interest	(8,688)
Total Non-Operating Expenses	(31,297)
Net Cash Receipts Over/(Under) Cash Disbursements	(3,526)
Fund Balance, January 1, 2004	37,569
Fund Balance, December 31, 2004	\$ 34,043

See accompanying Notes to the Financial Statements.

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Bailey Lakes, (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, including water and sewer 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 include adequate disclosure of material matters, as prescribed by the Auditor of State.

C. **CASH AND INVESTMENTS**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 class of funds are as follows:

1. **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 to be accounted for in another fund.

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

3. Enterprise Funds

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

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

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

E. BUDGETARY PROCESS

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

The Village did not certify the encumbrances for all transactions for 2005 or 2004.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	<u>2005</u>	<u>2004</u>
Demand Deposits	<u>\$53,076</u>	<u>\$97,068</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 is as follows:

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$68,259	\$75,805	\$7,546
Special Revenue	10,400	19,976	9,576
Enterprise	115,001	122,935	7,934
Total	<u>\$193,660</u>	<u>\$218,716</u>	<u>\$25,056</u>

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004**

3. BUDGETARY ACTIVITY - (continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,988	\$88,477	\$10,511
Special Revenue	42,696	39,875	2,821
Enterprise	149,044	134,357	14,687
Total	\$290,728	\$262,709	\$28,019

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,227	\$69,135	\$908
Special Revenue	12,801	15,745	2,944
Enterprise	115,000	126,479	11,479
Total	\$196,028	\$211,359	\$15,331

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,799	\$62,978	\$29,821
Special Revenue	64,827	35,475	29,352
Enterprise	152,569	130,005	22,564
Total	\$310,195	\$228,458	\$81,737

4. PROPERTY TAX

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004

5. RETIREMENT SYSTEM

Employees of the Village elected to contribute to Social Security and Medicare. The Village has paid all contributions required through December 31, 2005.

6. DEBT

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #1315	\$22,489	10.98%
OWDA Loan #1316	10,267	10.98
OWDA Loan #1317	15,031	9.88
OWDA Loan #1318	9,527	9.88
OWDA Loan #2613	<u>14,800</u>	0.00
Total OWDA Loans	<u>\$72,114</u>	

The OWDA loans were used for improvements to the Village's water and sewer system and are repaid from the enterprise fund from user charges.

Principal and interest requirements to retire long-term debt obligations outstanding at December 31, 2005 are as follows:

<u>Year Ended</u>	<u>OWDA Loan</u>
2006	\$16,387
2007	33,013
2008	23,451
2009	4,871
2010	2,960
2011	<u>2,960</u>
Total	<u>\$83,642</u>

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, for each member's need. The Plan pays judgments, settlements and other expenses resulting from other claims that exceed the member's deductibles.

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After, September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for the self-retention (deductible) amounts that vary from member to member.

VILLAGE OF BAILEY LAKES
ASHLAND COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2005 and 2004

7. **RISK MANAGEMENT** – (Continued)

The Plan's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Retained Earnings	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan's website, www.ohioplan.org.

Settled Claims have not been exceeded this commercial coverage in any of the last two years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

8. **CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no material pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of Village Council
Village of Bailey Lakes
Ashland, Ohio

We have audited the financial statements of the Village of Bailey Lakes, Ashland County, Ohio (Village) as of and for the years ended December 31, 2005 & 2004, and have issued our report thereon dated June 27, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 27, 2006.

Compliance and Other Matters

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the Schedule of Findings as item 2005-Bailey Lakes-01.

We also noted certain immaterial instances of noncompliance that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 27, 2006.

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

Charles E. Harris and Associates, Inc.

June 27, 2006

**VILLAGE OF BAILEY LAKES
ASHLAND COUNTY
SCHEDULE OF FINDINGS
December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-Bailey Lakes-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not make the proper certification of funds. The Village did not use purchase orders during the audit period. We recommend that the Village institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now" certificate.

Management has continued the practice of not using purchase orders for all transactions.

VILLAGE OF BAILEY LAKES
 ASHLAND COUNTY, OHIO
 For the Years Ended December 31, 2005 and 2004

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-BL-001	Ohio Admin. Code Section 117-5-001, not using encumbrance method of accounting	No	Village not certifying funds properly. See finding number 2005- Bailey Lakes-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
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 29, 2006**