VILLAGE OF BUCKEYE LAKE
LICKING COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Mary Taylor, CPA
Auditor of State

VILLAGE OF BUCKEYE LAKE
LICKING COUNTY

TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

Village of Buckeye Lake
Licking County
P.O. Box 27
Buckeye Lake, Ohio 43008

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 25, 2007

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This page intentionally left blank.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Buckeye Lake
Licking County
P.O. Box 27
Buckeye Lake, Ohio 43008

To the Village Council:

We have audited the accompanying financial statements of the Village of Buckeye Lake, Licking County, Ohio, (the Village) as of and for the year ended December 31, 2005. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 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, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Buckeye Lake, Licking County, Ohio, as of December 31, 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on 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 the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 25, 2007

VILLAGE OF BUCKEYE LAKE
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			
	General	**Special Revenue**	**Capital Projects**	**Totals (Memorandum Only)**
Cash Receipts:				
Property and Local Taxes	$ 116,244	$ 259,888	$ -	$ 376,132
Intergovernmental	69,938	201,095	-	271,033
Charges for Services	25,875	3,965	-	29,840
Fines, Licenses and Permits	52,566	1,794	-	54,360
Earnings on Investments	1,587	2,590	-	4,177
Miscellaneous	9,725	16,915	-	26,640
Total Cash Receipts	275,935	486,247	-	762,182
Cash Disbursements:				
Current:				
Security of Persons and Property	180	446,182	-	446,362
Public Health Services	5,810	-	-	5,810
Leisure Time Activities	3,409	14,800	-	18,209
Community Environment	19,257	2,997	-	22,254
Basic Utility Service	-	4,952	-	4,952
Transportation	-	84,314	-	84,314
General Government	186,445	1,690	-	188,135
Debt Service:				
Redemption of Principal	-	-	172,500	172,500
Capital Outlay	-	14,040	5,000	19,040
Total Cash Disbursements	215,101	568,975	177,500	961,576
Total Receipts Over/(Under) Disbursements	60,834	(82,728)	(177,500)	(199,394)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds	-	-	175,000	175,000
Transfers-In	-	112,903	2,450	115,353
Transfers-Out	(115,353)	-	-	(115,353)
Other Financing Uses	(156)	-	-	(156)
Total Other Financing Receipts / (Disbursements)	(115,509)	112,903	177,450	174,844
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(54,675)	30,175	(50)	(24,550)
Fund Cash Balances, January 1	137,446	388,530	50	526,026
Fund Cash Balances, December 31	**$ 82,771**	**$ 418,705**	**$ -**	**$ 501,476**

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

VILLAGE OF BUCKEYE LAKE
LICKING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE - AGENCY FUND FOR THE YEAR ENDED DECEMBER 31, 2005

	Agency
Non-Operating Cash Receipts:	
Fees and Fines Collected	$ 32,114
Non-Operating Cash Disbursements:	
Fees and Fines Distributed	31,855
Net Receipts Over/(Under) Disbursements	259
Fund Cash Balances, January 1	2,280
Fund Cash Balances, December 31	**$ 2,539**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Buckeye Lake, Licking County, Ohio, (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides park operations, police services, fire protection services and road maintenance. On January 1, 2004, the Village passed a charter form of government called the “strong mayor” plan of government. A copy of the Village’s charter can be obtained from the Village’s Clerk-Treasurer.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

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

The Village values certificates of deposit at cost.

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Policy Levy Fund - This fund receives property tax money to pay for providing security of persons and property.

Fire Levy Fund – This fund receives property tax money to pay for providing fire protection and emergency medical services.

3. Capital Projects Fund

This fund accounts for receipts that are restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Water Study Fund – This fund received loan proceeds from the Ohio Water Development Authority (OWDA) in prior years. The proceeds were used to design and conduct a study for water facilities.

4. Fiduciary Fund (Agency Fund)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for:

Mayor's Court Fund – This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected, in part, on behalf of the State of Ohio.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005
Demand deposits	$455,337
Certificates of deposit	48,678
Total deposits and investments	$504,015

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$265,287	$275,935	$10,648
Special Revenue	362,679	599,150	236,471
Capital Projects	20,500	177,450	156,950
Total	$648,466	$1,052,535	$404,069

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$405,052	$330,610	$74,442
Special Revenue	619,435	568,975	50,460
Capital Projects	11,500	177,500	(166,000)
Total	$1,035,987	$1,077,085	($41,098)

Contrary to Ohio law, the Village's appropriations exceeded estimated resources in the Computerize the Courts Fund and the Police Levy Fund at December 31, 2005. Also contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the Computerize the Courts Fund, FEMA Fund and the Water Study Fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment 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, 2005 was as follows:

	Principal	Interest Rate
General Obligation Bonds	$175,000	4.40%
OWDA 1997	$2,500	0.00%
OWDA 1995	47,007	6.87%
Total	$224,507	

The 1997 Ohio Water Development Authority (OWDA) loan relates to a water study. The loan was for a ten year period and final payment will be made in 2007.

The 1995 OWDA loan also relates to a water study. The loan originally was to be repaid in annual installments of $18,000 with the remaining amount of the loan balance and capitalized interest due on July 1, 2005 or when construction of the systems begins, whichever comes first. The Village had not started construction of the system by July 1, 2005 and had not fully repaid the loan. As of July 1, 2005, the Village was in default on this loan and was assessed capitalized interest in the amount of $180,151 for the default. However in 2005, the Village obtained long-term financing in order to repay some of the principal of the loan.

The General Obligation Bonds relates to long-term financing to partially pay off the 1995 OWDA loan. This loan will be repaid in annual installments of $35,000 over five years.

All debt is collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obliation Bonds 2005	OWDA Loan - 1997	OWDA Loan - 1995
2006	$35,000	$2,500	$227,518
2007	35,000	0	0
2008	35,000	0	0
2009	35,000	0	0
2010	35,000	0	0
Total	$175,000	$2,500	$227,518

In addition, in 2002 the Village entered into a lease agreement with the Case Credit Corporation for the purchase of a backhoe.

5. DEBT (Continued)

Year ending December 31:	Backhoe Lease
2006	$11,390
Total	$11,390

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OP&F participants contributed 10% of their wages. For 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2005, OPERS members contributed 8.5% of their gross salaries and the Village contributed an amount equaling 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

<u>Casualty Coverage</u>
For an occurrence prior to January 1, 2006 PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

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

7. RISK MANAGEMENT (Continued)

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

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

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

Financial Position
PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

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

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

7. RISK MANAGEMENT (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately $14.4 million and $14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately $14.4 million and $14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately $38,942. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2004	$17,938
2005	$18,541
2006	$19,471

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Buckeye Lake
Licking County
P.O. Box 27
Buckeye Lake, OH 43008

To the Village Council:

We have audited the financial statements of the Village of Buckeye Lake, Licking County, Ohio, (the Village) as of and for the year ended December 31, 2005, and have issued our report thereon dated July 25, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2005-001 through 2006-005.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding numbers 2005-001 through 2005-003 and 2006-005 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated July 25, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001, 2005-002, 2005-004 and 2005-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 25, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee**,** management and Village Council. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 25, 2007

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2005-001

Noncompliance Citation and Significant Deficiency/Material Weakness

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 provides in part that the total appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the budget commission. As of December 31, 2005, the Village had appropriations exceeding estimated resources available for expenditures in the following funds:

Fund	Total Certified Resources	Appropriations	Variance
2005			
Computerize the Courts (2902)	$1,046	$2,046	($1,000)
Police Levy (2905)	$137,089	$268,926	($131,837)

We recommend the Clerk-Treasurer review the Amended Certificates of Estimated Resources and Supplemental Appropriation Measures to ensure that total appropriations from each fund do not exceed the total certified resources available for expenditures.

Officials' Response:
We are in the process of correcting this. We are monitoring the appropriations and sending requests to the County Auditor's Office.

FINDING NUMBER 2005-002

Noncompliance Citation and Significant Deficiency/Material Weakness

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit is to make any expenditure of money unless it has been appropriated as provided in such chapter. As of December 31, 2005, the Village had expenditures exceeding appropriations within the following funds:

Fund	Appropriations	Budgetary Expenditures	Variance
2005			
Computerize the Courts (2902)	$1,046	$1,689	($643)
FEMA (2904)	$0	$24,820	($24,820)
Water Study (4901)	$11,500	$177,500	($166,000)

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if unencumbered balances are available for appropriation.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2005-002 (Continued)

Expenditures Exceeding Appropriations (Continued)

Officials' Response:
We are in the process of correcting this. Any additional appropriations are being taken through Village Council meetings and if necessary to the County Auditor's Office.

FINDING NUMBER 2005-003

Financial Statement Presentation – Significant Deficiency/Material Weakness

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Clerk-Treasurer did not always accurately post receipts and disbursements to the Village's accounting system. The following posting errors were noted:

- Grant revenues were posted as Charges for Services ($15,000)
- Intergovernmental Receipts were posted as Charges for Services ($1,081).
- Agency fund activity for Mayor's Court was not included on the financial statements ($32,144).
- Intergovernmental Receipts were posted as Taxes ($38,867).
- Intergovernmental Receipts were posted as Miscellaneous Receipts ($6,096).
- Licenses, Permits and Fees were posted as Miscellaneous Receipts ($14,301).
- Principal debt expenditures posted as interest and fiscal charges ($172,500).
- Sales of bonds posted as Other Financing Sources ($175,000).
- Budgetary receipts and disbursements were not always posted to the system to correspond with amounts approved by the Council and filed with the County Auditor.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit adjustments and reclassification entries, as well as inaccurate accounting records making it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's Clerk-Treasurer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. Also, budgeted receipts and disbursements should be posted to the ledgers that agree with properly filed budgetary documents with the County Auditor. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

The Village's financial statements have been adjusted to accurately reflect the proper receipt and disbursement line item classifications.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2005-003 (Continued)

Financial Statement Presentation – Significant Deficiency/Material Weakness (Continued)

Officials' Response:
We are in the process of correcting this. Additional line items are being set up to post revenues and expenditures in accordance with procedures and guidelines established in the UAN system and AOS bulletins. Caution is being used to make sure the items are posted correctly.

FINDING NUMBER 2005-004

Material Noncompliance – Significant Deficiency

Ohio Rev. Code Section 135.21 provides for the allocation of interest among funds. Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds).

All interest earned must be credited to the general funds of the subdivision, with the following exceptions:

- Article XII, Section 5a, Ohio Const. and 1982 Op. Att'y Gen. No. 82-031 state that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.
- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

Interest earned on the deposits from the Street Construction Maintenance and Repair Fund, State Highway Fund and Permissive Motor Vehicle License Tax Fund was not credited proportionately to those funds during 2005. An adjustment of $2,301 from the General Fund to the Street Construction Maintenance and Repair Fund in the amount of $911 and to the State Highway Fund in the amount of $474 and to the Permissive Motor Vehicle License Tax Fund in the amount of $916 was required to properly distribute the 2005 interest.

Also, Ohio Rev. Code Section 5705.10 (D) requires all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the General Fund.

The Village credited $792 of interest to the Fire Levy Fund in 2005, which was adjusted to the General Fund.

The Village's Clerk-Treasurer should properly distribute interest to the appropriate funds monthly based on average cash fund balances of the funds required to receive interest.

The Village has posted the adjustments to their accounting records and accompanying financial statements.

Officials' Response:
This has been corrected. We are properly distributing the interest to the appropriate funds as stated in ORC Section 135.21. The Fire Fund money is now being posted to the General Fund.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2005-005

Material Noncompliance and Significant Deficiency/Material Weakness

Default on Loan

On July 1, 2005, the Village defaulted on a state planning loan with the Ohio Water Development Authority (OWDA). Since construction did not start on this project by January 15, 2005 (per the agreement with OWDA), the Village began the process to assess Village residents and certify to the County Auditor in September 2005 to place the assessment on the January 2006 tax bills. Assessments will be sufficient to retire all principal and interest on this loan.

On July 25, 2005, the Village issued $175,000 in bonds to partially pay off the OWDA loan. The Village was assessed capitalized interest for the default of the loan in the amount of $180,151 as of the December 31, 2005.

Officials' Response:
We made a payment on our OWDA loan in 2007.

VILLAGE OF BUCKEYE LAKE
LICKING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2004-001	ORC 5705.41(B) Expenditures Exceeding Appropriations	No	Reissued as Finding 2005-002
2004-002	ORC 5705.39 Appropriations Exceeding Estimated Resources	No	Reissued as Finding 2005-001
2004-003	Receipt Postings	No	Reissued as Finding 2005-003
2004-004	Approval of Transfers	Yes	Corrected

Mary Taylor, CPA
Auditor of State

VILLAGE OF BUCKEYE LAKE

LICKING 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
NOVEMBER 8, 2007

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us