



**Auditor of State  
Betty Montgomery**



VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY

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**Auditor of State  
Betty Montgomery**

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 a February 2, 2005 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 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.

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

**Betty Montgomery**  
Auditor of State

July 29, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Buckeye Lake  
Licking County  
P.O. Box 27  
Buckeye Lake, OH 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 years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 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 this Village does not use GAAP to measure 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 year ended December 31, 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, 2004, 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 and reserves for encumbrances of the Village of Buckeye Lake, Licking County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village is in default on its Ohio Water Development Authority 1995 Loan. Further information can be found in Note 5.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 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 July 29, 2005, 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.



**Betty Montgomery**  
Auditor of State

July 29, 2005, except for Note 8 which is dated October 11, 2005.



**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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$117,635	\$256,066	\$0	\$373,701
Intergovernmental Receipts	110,447	142,056	0	252,503
Charges for Services	19,800	8,982	0	28,782
Fines, Licenses, and Permits	35,499	0	0	35,499
Earnings on Investments	2,678	379	0	3,057
Miscellaneous	23,991	30,799	0	54,790
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	310,050	438,282	0	748,332
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	900	424,320	0	425,220
Public Health Services	6,453	0	0	6,453
Leisure Time Activities	10,120	0	0	10,120
Community Environment	22,404	2,989	0	25,393
Basic Utility Services	0	553	0	553
Transportation	0	89,004	0	89,004
General Government	155,551	0	0	155,551
Debt Service:				
Principal Payments	0	0	20,500	20,500
Capital Outlay	0	14,630	9,950	24,580
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	195,428	531,496	30,450	757,374
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	114,622	(93,214)	(30,450)	(9,042)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	100,000	30,500	130,500
Transfers-Out	(130,500)	0	0	(130,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(130,500)	100,000	30,500	0
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,878)	6,786	50	(9,042)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	153,895	381,600	0	535,495
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$138,017</b>	<b>\$388,386</b>	<b>\$50</b>	<b>\$526,453</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$0	\$0	\$54,661	\$54,661
	<hr/>	<hr/>	<hr/>	<hr/>

*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, 2004

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Fees and Fines Collected	<u>\$24,069</u>
<b>Non-Operating Cash Disbursements:</b>	
Fees and Fines Distributed	<u>23,704</u>
Net Receipts Over Disbursements	365
Fund Cash Balance, January 1	<u>1,915</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$2,280</u></u>

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

**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, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$111,664	\$245,001	\$0	\$356,665
Intergovernmental Receipts	60,270	156,872	0	217,142
Charges for Services	25,637	6,000	0	31,637
Fines, Licenses, and Permits	47,782	0	0	47,782
Earnings on Investments	3,522	408	0	3,930
Miscellaneous	20,807	21,451	0	42,258
	<u>269,682</u>	<u>429,732</u>	<u>0</u>	<u>699,414</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	139,016	318,682	0	457,698
Public Health Services	5,606	0	0	5,606
Leisure Time Activities	9,085	0	0	9,085
Community Environment	16,525	3,117	0	19,642
Basic Utility Services	5,700	519	0	6,219
Transportation	0	68,423	0	68,423
General Government	161,524	0	0	161,524
Debt Service:				
Principal Payments	10,000	25,000	20,500	55,500
Interest Payments	0	1,147	0	1,147
Capital Outlay	0	17,554	0	17,554
	<u>347,456</u>	<u>434,442</u>	<u>20,500</u>	<u>802,398</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts (Under) Disbursements</b>	<u>(77,774)</u>	<u>(4,710)</u>	<u>(20,500)</u>	<u>(102,984)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	42,344	20,500	62,844
Transfers-Out	(62,844)	0	0	(62,844)
	<u>(62,844)</u>	<u>42,344</u>	<u>20,500</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(140,618)	37,634	0	(102,984)
Fund Cash Balances, January 1	294,513	343,966	0	638,479
<b>Fund Cash Balances, December 31</b>	<u><u>\$153,895</u></u>	<u><u>\$381,600</u></u>	<u><u>\$0</u></u>	<u><u>\$535,495</u></u>

*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, 2003

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Fees and Fines Collected	<u>\$36,702</u>
<b>Non-Operating Cash Disbursements:</b>	
Fees and Fines Distributed	<u>36,168</u>
Net Receipts Over Disbursements	534
Fund Cash Balance, January 1	<u>1,381</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$1,915</u></u>

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

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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, (Village) as a body corporate and politic. A publicly-elected seven-member Council governs 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 Clerk-Treasurer.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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.

**2. Special Revenue Funds**

These funds 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 Funds:

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

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Police 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)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

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. 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. Village 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.

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. 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.

**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 reappropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 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:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$481,057	\$490,185
Certificates of deposit	47,676	47,225
Total deposits	<u>\$528,733</u>	<u>\$537,410</u>

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

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$263,878	\$310,050	\$46,172
Special Revenue	344,910	538,282	193,372
Capital Projects	30,500	30,500	0
Total	\$639,288	\$878,832	\$239,544

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$411,597	\$325,928	\$85,668
Special Revenue	563,943	531,496	32,448
Capital Projects	30,500	85,111	(54,611)
Total	\$1,006,040	\$942,535	\$63,505

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$244,033	\$269,682	\$25,649
Special Revenue	435,440	472,076	36,636
Capital Projects	20,500	20,500	0
Total	\$699,973	\$762,258	\$62,285

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$475,000	\$410,300	\$64,700
Special Revenue	545,024	434,442	110,582
Capital Projects	20,500	20,500	0
Total	\$1,040,524	\$865,242	\$175,282



**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, the Village's appropriations exceeded estimated resources in the Police Levy Fund at December 31, 2004 and in the Fire Levy Fund at December 31, 2003. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control within the General, Street Construction Maintenance and Repair, Fire Levy, Police Levy, and Water Study Funds for the year ended December 31, 2004 and within the General and Police Levy Funds for the year ended December 31, 2003. Also, certain revenues were posted to incorrect funds. Adjustments were made to correct the misspostings.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	2004	
	<u>Principal</u>	<u>Interest Rate</u>
OWDA - 1997	\$5,000	0%
OWDA - 1995	<u>\$217,007</u>	6.7%
Total	<u><u>\$222,007</u></u>	

The 1997 Ohio Water Development Authority (OWDA) loan relates to a water study. The loan will be repaid in annual installments of \$2,500 over ten years.

The 1995 OWDA loan also relates to a water study. This loan will 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 system begins, whichever comes first. The Village had not started construction of the system by July 1, 2005 and had not repaid the loan. As of July 1, 2005, the Village is in default on this loan. However, The Village is in the process of obtaining long term financing and federal funds to repay the OWDA loan, including interest.

General obligation notes for the purchase of a fire truck and a mortgage note were retired in 2003.

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

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT (Continued)**

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

	OWDA Loan - 1997	OWDA Loan - 1995
Year ending December 31:		
2005	\$2,500	\$383,250
2006	2,500	
Total	\$5,000	\$383,250

In addition to the debt described above, the Village has also entered into lease agreements with the Case Credit Corporation for the purchase of a backhoe and with Fackler Country Gardens, Inc. for the purchase of a mower. The backhoe lease will be for four years starting March 3, 2003 and the mower lease will be for three years starting May 16, 2002. The following table describes the scheduled payments on these two leases:

	Backhoe Lease	Mower Lease
Year ending December 31:		
2005	\$810	\$11,390
2006	0	11,390
Total	\$810	\$22,780

**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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 local government.

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, 2004 and 2003.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**8. SUBSEQUENT EVENT**

The Village's 1995 OWDA Loan balance of \$383,250 (plus additional accrued interest from January 1, 2005 through July 1, 2005) was due to the OWDA on July 1, 2005. As of the date of this report, the Village has not paid off this loan or started construction on the project. On September 26, 2005, the Village received a letter from the OWDA notifying them that they were in default on this loan as of July 1, 2005. The letter lists the terms of the default including the balance in default at July 1, 2005 of \$390,679, the default fee of \$9,191, and the late charge of \$7,814 for a total balance due at September 26, 2005 of \$407,684. The letter also stated that the default interest rate is 9.87% and that the OWDA will file suit no later than November 1, 2005 if the Village has not fully remedied its loan payment default by the time of such filing. As stated in Note 5, the Village is in the process of obtaining long term financing and federal monies to repay the loan.



## Auditor of State Betty Montgomery

### 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 years ended December 31, 2004 and 2003, and have issued our report thereon dated July 29, 2005, except for note 8 which is dated October 11, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the 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 of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **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 2004-001 through 2004-004. In a separate letter to the Village's management dated July 29, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village of Buckeye Lake  
Licking County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 29, 2005, except Note 8 which is dated October 11, 2005

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

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

<b>Non-Compliance Finding Number</b>	<b>2004-001</b>
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**Expenditures Exceeding Appropriations**

**Ohio Revised 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, 2004 and December 31, 2003, the Village had expenditures plus outstanding encumbrances exceeding appropriations within the following funds:

<b>Fund 2004</b>	<b>Budgetary Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>
<b>General</b>			
Other- Employee Reimbursements (1000-715-259)	\$835	\$150	(\$685)
Office Supplies and Materials (1000-710-410)	2,039	500	(1,539)
Advertising (1000-730-325)	1,672	1,100	(572)
Operating Supplies and Materials (1000-730-420)	6,376	2,000	(4,376)
Accounting and Legal Fees (1000-750-341)	39,930	30,000	(9,930)
<b>Street Construction Maintenance and Repair</b>			
Other - Personal Services (2011-620-190)	40,880	37,000	(3,880)
OPERS (2011-620-211)	5,539	5,013	(526)
Unemployment Compensation (2011-620-240)	356	0	(356)
Operating Supplies and Materials (2011-620-420)	9,880	9,000	(880)
Repairs & Maint. Of Motor Vehicles (2011-620-433)	3,372	2,500	(872)
Small Tools and Minor Equipment (2011-620-440)	1,192	500	(692)
Machinery, Equip., & Furniture (2011-800-540)	14,630	12,270	(2,360)
Street, Hwy, Curb & Sidewalk (2101-610-396)	17,363	9,663	(7,700)
<b>Fire Levy</b>			
Small Tools and Minor Equipment (2901-120-440)	13,381	10,000	(3,381)
<b>Police Levy</b>			
Other- Personal Services (2905-110-190)	167,867	163,000	(4,867)
Ohio Police and Fire Pension (2905-110-215)	28,886	25,935	(2,951)
Medical/Hospitalization (2905-110-221)	13,762	13,024	(738)
Small Tools and Minor Equipment (2905-110-440)	2,648	0	(2,648)
<b>Water Study</b>			
Capital Outlay (4901-850-710)	64,611	0	(64,611)

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Non-Compliance Finding Number</b>	<b>2004-001 (Continued)</b>
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**Expenditures Exceeding Appropriations (Continued)**

	<b>Fund 2003</b>	<b>Budgetary Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>
<b>General</b>				
Ohio Police and Fire Pension (1000-110-215)		\$14,509	\$13,065	(\$1,444)
Auditing Services (1000-740-342)		4,386	4,000	(386)
Accounting and Legal Fees (1000-750-341)		30,309	30,000	(309)
Transfers -Out (1000-910-910)		62,844	23,500	(39,344)
<b>Police Levy</b>				
Other - Personal Service (2905-110-190)		90,238	86,780	(3,458)
Medical/Hospitalization (2905-110-221)		7,241	0	(7,241)

In addition, appropriations posted to the Village's accounting system did not agree with appropriations passed by Village Council or filed with the County Budget Commission.

We recommend the Clerk-Treasurer monitor available appropriations, and deny payments that exceed appropriations. If available resources exist to make payment, the Clerk-Treasurer should request Village Council to consider amending appropriations through a Council resolution. The accounting records should only reflect total appropriations approved by Council and filed with the Budget Commission.

<b>Non-Compliance Finding Number</b>	<b>2004-002</b>
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**Appropriations Exceeding Estimated Resources**

**Ohio Revised Code Section 5705.39** states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. As of December 31, 2004, and December 31, 2003, the Village had appropriations exceeding estimated resources available for expenditures in the following funds:

	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Excess</b>
<b>Fund 2004</b>			
Police Levy (2905)	\$180,623	\$268,387	(\$87,764)
<b>2003</b>			
Fire Levy (2901)	\$228,695	\$239,093	(\$10,398)



**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Non-Compliance Finding Number</b>	<b>2004-002 (Continued)</b>
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**Appropriations Exceeding Estimated Resources (Continued)**

Also, the accounting records did not accurately reflect estimated receipts filed with the Budget Commission.

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 of the estimated resources available for expenditures. The accounting records should reflect estimated receipts approved by Council and filed with the Budget Commission.

<b>Non-Compliance Finding Number</b>	<b>2004-003</b>
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**Receipt Postings**

**Ohio Revised Code Section 5705.10** states that all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made.

The Clerk-Treasurer did not post certain receipts to the proper fund. The following chart summarizes adjustments necessary to record various receipts to the appropriate fund:

Fund and Fund Number	Adjustment From	Adjustment To
<b>2004</b>		
General Fund (1000)	(\$1,313)	
Police Levy (2905)	(7,650)	
Permissive Motor Vehicle License Tax (2101)		\$1,313
Fire Levy (2901)		7,650
	(\$8,963)	\$8,963
<b>2003</b>		
General Fund (1000)	(\$22,458)	
State Highway (2021)	(2,139)	
Street Construction Maintenance and Repair (2011)		\$697
Permissive Motor Vehicle License Tax (2101)		8,226
Fire Levy (2901)		8,506
Other Special Revenue Street Lighting (2903)		1,361
Police Levy (2905)		5,807
	(\$24,597)	\$24,597

VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)

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

Non-Compliance Finding Number	2004-003 (Continued)
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**Receipt Postings (Continued)**

To ensure receipts are properly posted within the Village's financial accounting system and all resources are used for the proper public purpose, the Clerk-Treasurer should review the Auditor of State's Uniform Accounting Network account codes and the Village Officer's Handbook when posting receipts to the accounting system to assure that they are properly classified by account and fund type.

The above audit adjustments were posted by the Clerk-Treasurer to the accounting system and are reflected in the audited financial statements.

Non-Compliance Finding Number	2004-004
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**Approval of Transfers**

**Ohio Revised Code Section 5705.14** states in part that money may be transferred from the General Fund to any other fund of the subdivision by resolution of the taxing authority. During 2003, a transfer of \$39,344 was made from the General Fund to the Police Levy Fund without a resolution of Village Council.

We recommend the Clerk-Treasurer obtain a resolution from the Village Council before making transfers from the General Fund.

**VILLAGE OF BUCKEYE LAKE  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	Finding for Recovery in Mayor's Court	Yes	
2002-002	Mayor's Court – to strengthen internal controls over Mayor's Court operations.	Yes	





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**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 10, 2005**