

# **Village of Beach City**

*Audited Financial Statements*

*December 31, 2005*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Village of Beach City  
105 E. Main Street  
Box 695  
Beach City, Ohio 44608

We have reviewed the *Independent Auditor's Report* of the Village of Beach City, Stark County, prepared by Rea & Associates, Inc. for the audit period January 1, 2005 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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 Beach City is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

June 30, 2006

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**VILLAGE OF BEACH CITY  
STARK COUNTY**

**DECEMBER 31, 2005**

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Rea & Associates, Inc.  
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 30, 2006

Mayor and Members of Council  
Village of Beach City  
Beach City, OH 44608

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Beach City (the "Village") as of and for the year ended December 31, 2005, as listed in the table of contents. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as December 31, 2005, or its changes in financial position, and cash flows 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 Beach City, Stark County, as of December 31, 2005, and its combined cash receipts and disbursements for the year ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 30, 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 and grant agreements and other matters. That report describes the scope of our testing internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

*Rea & Associates, Inc.*

VILLAGE OF BEACH CITY  
STARK COUNTY

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

	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Property and other Local Taxes	\$ 98,259	\$ 79,045	\$ 7,849	\$ 0	\$ 185,153
Intergovernmental Revenue	77,203	56,079	0	0	133,282
Special Assessments	0	0	0	0	0
Charges For Services	35	45,264	0	7,457	52,756
Fines, Licenses and Permits	54	0	0	0	54
Interest	25,917	1,661	0	274	27,852
Miscellaneous	26,502	62,306	0	0	88,808
<b>Total Cash Receipts</b>	<b>227,970</b>	<b>244,355</b>	<b>7,849</b>	<b>7,731</b>	<b>487,905</b>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons	87,622	70,395	0	0	158,017
Public Health Services	399	0	0	0	399
Leisure Time Activities	2,807	0	0	0	2,807
Transportation	24,975	78,544	0	0	103,519
General Government	61,269	0	0	0	61,269
Capital Outlay	12,564	5,433	6,676	0	24,673
Debt Service:					
Redemption of Principal	0	89,527	0	0	89,527
Interest and Other Finance Charges	0	7,616	0	0	7,616
<b>Total Cash Disbursements</b>	<b>189,636</b>	<b>251,515</b>	<b>6,676</b>	<b>0</b>	<b>447,827</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>38,334</b>	<b>(7,160)</b>	<b>1,173</b>	<b>7,731</b>	<b>40,078</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Other Financing Sources	0	1,297	0	0	1,297
Other Financing Uses	(2,892)	(1,710)	0	0	(4,602)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(2,892)</b>	<b>(413)</b>	<b>0</b>	<b>0</b>	<b>(3,305)</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>35,442</b>	<b>(7,573)</b>	<b>1,173</b>	<b>7,731</b>	<b>36,773</b>
<b>FUND CASH BALANCES, January 1, 2005</b>	<b>22,992</b>	<b>42,416</b>	<b>4,804</b>	<b>20,417</b>	<b>90,629</b>
<b>FUND CASH BALANCES, December 31, 2005</b>	<b>\$ 58,434</b>	<b>\$ 34,843</b>	<b>\$ 5,977</b>	<b>\$ 28,148</b>	<b>\$ 127,402</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 780</b>	<b>\$ 1,547</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,327</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BEACH CITY  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary
	Enterprise Funds
<b>OPERATING CASH RECEIPTS:</b>	
Charges for services	\$ 1,877,930
Other Operating Revenue	24,677
Total Operating Cash Receipts	1,902,607
<b>OPERATING CASH DISBURSEMENTS:</b>	
Personal services	359,537
Transportation	2,084
Contractual services	1,298,319
Material and supplies	141,421
Capital outlay	524,579
Total Operating Cash Disbursements	2,325,940
Operating Income (Loss)	(423,333)
<b>NON-OPERATING CASH RECEIPTS:</b>	
Intergovernmental Revenue	1,618,496
Sale of Notes	1,958,000
Sale of Fixed Assets	846
Other non-operating revenues	31,861
Interest	3,157
Total Non-Operating Cash Receipts	3,612,360
<b>NON-OPERATING CASH DISBURSEMENTS:</b>	
Debt service:	
Principal retirement	2,917,257
Interest and fiscal charges	36,679
Other non-operating disbursements	9,523
Total Non-Operating Disbursements	2,963,459
Total Cash Receipts Over Cash Disbursements	
Before Interfund Transfers	225,568
Advances-in	300,000
Advances-out	(300,000)
Net Cash Receipts Over Cash Disbursements	225,568
FUND CASH BALANCES, January 1, 2005	992,402
FUND CASH BALANCES, December 31, 2005	\$ 1,217,970
RESERVE FOR ENCUMBRANCES	\$ 159,447

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Beach City (the Village) is a body politic and corporate 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 governmental services, including water, sewer, and electric utilities, park operations (leisure time activities), cemetery operations, and police services.

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

The Village is associated with certain organizations which are defined as Joint Ventures and Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, *Reporting Entity*. These organizations are presented in Notes 10 and 11. These organizations include:

Joint Ventures

- Local Organized Governments in Cooperation (LOGIC) RED Center Operations
- Ohio Municipal Electric Generation Agency (OMEGA)

Jointly Governed Organizations

- Stark Council of Governments (SCOG)
- Stark Regional Planning Commission
- Municipal Energy Services Agency (MESA)

**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 or permitted by the Auditor of State.

**C. Cash Investments**

Investments are included in the fund cash balances. 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.

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted to use. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

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

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

*Fire Levy Fund* – This fund receives tax levy money for the purpose of providing fire protection services to the citizens of the Village.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

*Capital Improvement Fund* – The fund receives a portion of income tax revenue to provide for capital improvements in the Village.

Enterprise Funds

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

*Water Fund* – This fund receives charges for services from residents to cover the cost of providing water service.

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing sewer service.

*Electric Fund* – This fund receives charges for services from residents to cover the cost of providing electric service.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting (Continued)

Enterprise Funds (Continued)

*Cemetery Fund* – This fund receives charges for services for grave openings and closings and the sale of cemetery lots within the Village cemetery.

Fiduciary Funds (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. The Village had the following Fiduciary Non-Expendable Trust Fund:

*Cemetery Endowment Fund* – This fund receives charges for services from the sale of cemetery lots.

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 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. Unencumbered appropriations lapse at year end.

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.

A summary of 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the financial statements.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Unpaid Vacation and Sick Leave

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

**NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2005</u>
Demand deposits	\$ 667,795
Certificates of deposit	<u>103,487</u>
Total deposits	771,282
 STAR Ohio	 <u>574,090</u>
 Total deposits and investments	 <u>\$ 1,345,372</u>

Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

**NOTE 3: BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2005 is as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 171,037	\$ 227,970	\$ 56,933
Special Revenue	259,834	245,652	(14,182)
Capital Projects	10,400	7,849	(2,551)
Enterprise	5,329,332	5,514,967	185,635
Expendable Trust	<u>7,265</u>	<u>7,731</u>	<u>466</u>
Total	<u>\$ 5,777,868</u>	<u>\$ 6,004,169</u>	<u>\$ 226,301</u>

2005 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 197,596	\$ 193,308	\$ 4,288
Special Revenue	297,394	254,772	42,622
Capital Projects	15,204	6,676	8,528
Enterprise	6,237,169	5,448,846	788,323
Expendable Trust	<u>112,246</u>	<u>0</u>	<u>112,246</u>
Total	<u>\$ 6,859,609</u>	<u>\$ 5,903,602</u>	<u>\$ 956,007</u>

**NOTE 4: PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual 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.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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NOTE 4: PROPERTY TAX (Continued)

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

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

NOTE 5: LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 6: LONG-TERM DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	\$ 1,958,000	4.25%
OPWC Loans	254,785	0.00%
USDA Loans	<u>80,000</u>	4.50%
Total	<u>\$ 2,292,785</u>	

The Sewer System Mortgage Revenue Bonds, accruing interest at 4.25% annually, were obtained to pay for water and wastewater plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The loan is to be repaid annually over 40 years. The mortgage revenue bonds are collateralized by the water receipts. The Village has agreed to set water rates sufficient to cover the debt service requirements.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

**NOTE 6: LONG-TERM DEBT (Continued)**

Ohio Public Works Commission (OPWC) loan nos. CT063, CS03A, and CS11D relate to a pumping station and water system improvement project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semi-annual installments of \$8,641 over 20 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set water sewer rates sufficient to cover OPWC debt service requirements.

The U.S.D.A. Rural Development Fire Department Improvement Bonds, accruing interest at 4.50% annually, were obtained to pay costs of improving the Village Fire Department by acquiring an ambulance and all necessary equipment. The loan will be repaid in annual installments over 10 years. The Village has agreed to levy property taxes sufficient to cover U.S.D.A. Rural Development debt service requirements.

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

	Sewer System	OPWC Loans	USDA Loans
Year ending December 31:			
2006	\$ 53,526	\$ 19,936	\$ 11,600
2007	102,703	17,282	12,240
2008	102,441	17,282	11,843
2009	102,652	17,282	12,430
2010	102,717	17,282	11,980
2011-2015	513,482	86,412	37,108
2016-2020	513,046	72,507	0
2021-2025	513,368	6,802	0
2026-2030	513,285	0	0
2031-2035	513,166	0	0
2036-2040	513,234	0	0
2041-2045	513,379	0	0
Total	\$ 4,056,999	\$ 254,785	\$ 97,201

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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**NOTE 7: CAPITAL LEASE**

During 2005, the Village entered into a capital lease with First Bankers Corporation for the purchase of an International Water Tanker. The lease is for a period of 11 years and bears an annual interest rate of 4.625%. Payments will be made annually over 12 years.

The following is a schedule of the future minimum lease payments under the capital lease at December 31, 2005:

Year ending December 31:	<u>Amount</u>
2006	\$ 21,910
2007	21,910
2008	21,910
2009	21,910
2010	21,910
2011-2015	109,550
2016	<u>21,910</u>
Total Minimum Lease Payments	241,010
Less: Amount Representing Interest	<u>50,957</u>
Net Present Value of Future Minimum Lease Payments	<u><u>\$ 190,053</u></u>

**NOTE 8: RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. In 2005, the Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.



**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Village's enterprise fund account for the provision of water, waste water, electric, and utility deposits. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the Village of Beach City as of and for the year December 31, 2005:

2005 SEGMENT INFORMATION

	WATER	SEWER	ELECTRIC	UTILITY DEPOSIT	CEMETERY	SEWER RESERVE	TOTAL ENTERPRISE
<b>OPERATING CASH RECEIPTS:</b>							
Charges For Services	\$ 179,868	\$ 264,733	\$ 1,422,742	\$ 0	\$ 10,587	\$ 0	\$ 1,877,930
Miscellaneous	0	0	0	0	24,677	0	24,677
<i>Total Operating Cash Receipts</i>	179,868	264,733	1,422,742	0	35,264	0	1,902,607
<b>OPERATING CASH DISBURSEMENTS:</b>							
Personal Services	75,780	99,415	173,347	0	10,995	0	359,537
Travel Transportation	121	53	1,909	0	0	0	2,083
Contractual Services	39,038	157,961	1,094,803	0	6,516	0	1,298,318
Supplies and Materials	81,943	32,272	26,075	0	1,132	0	141,422
Capital Outlay	22,564	2,221,245	238,709	0	61	0	2,482,579
<i>Total Operating Cash Disbursements</i>	219,446	2,510,946	1,534,843	0	18,704	0	4,283,939
<i>Operating income (loss)</i>	(39,578)	(2,246,213)	(112,101)	0	16,560	0	(2,381,332)
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>							
Local Taxes	0	0	0	0	0	0	0
Intergovernmental Receipts	0	1,616,535	1,961	0	0	0	1,618,496
Earnings on Investments	0	0	0	0	672	2,484	3,156
Sale of Notes	0	1,958,000	0	0	0	0	1,958,000
Sale of Fixed Assets	173	500	173	0	0	0	846
Miscellaneous	2,462	368	21,832	0	0	0	24,662
Redemption of Principal	(11,975)	(947,282)	0	0	0	0	(959,257)
Interest and Other Fiscal Charges	0	(36,679)	0	0	0	0	(36,679)
Other Financing Sources	1,048	0	0	6,150	0	0	7,198
Other Financing Uses	(792)	(947)	(975)	(6,630)	(177)	0	(9,521)
<i>Total Non-Operating Receipts (Disbursements), carried forward</i>	\$ (9,084)	\$ 2,590,495	\$ 22,991	\$ (480)	\$ 495	\$ 2,484	\$ 2,606,901

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

2005 SEGMENT INFORMATION (Continued)

	WATER	SEWER	ELECTRIC	UTILITY DEPOSIT	CEMETERY	SEWER RESERVE	TOTAL ENTERPRISE
<i>Total Non-Operating Receipts (Disbursements), brought forward</i>	\$ (9,084)	\$ 2,590,495	\$ 22,991	\$ (480)	\$ 495	\$ 2,484	\$ 2,606,901
<i>Income (Loss) Before Interfund Transfers and Advances</i>	(48,662)	344,282	(89,110)	(480)	17,055	2,484	225,569
Transfers-In	0	0	0	0	0	0	0
Transfers-Out	0	0	300,000	0	0	0	300,000
Advances-In	0	0	0	0	0	0	0
Advances-Out	0	(300,000)	0	0	0	0	(300,000)
Net Income (Loss)	(48,662)	44,282	210,890	(480)	17,055	2,484	225,569
BEGINNING FUND BALANCE, January 1	103,386	155,604	590,775	24,133	33,939	84,564	992,401
ENDING FUND BALANCE, December 31	<u>\$ 54,724</u>	<u>\$ 199,886</u>	<u>\$ 801,665</u>	<u>\$ 23,653</u>	<u>\$ 50,994</u>	<u>\$ 87,048</u>	<u>\$ 1,217,970</u>
Reserve for Encumbrances, December 31	<u>\$ 770</u>	<u>\$ 154,217</u>	<u>\$ 4,335</u>	<u>\$ 0</u>	<u>\$ 125</u>	<u>\$ 0</u>	<u>\$ 159,447</u>

**NOTE 10: RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- Public officials' liability

The Village also provides medical, dental, and life insurance coverage to full-time employees through Hometown Insurance Co.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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NOTE 11: JOINT VENTURES

LOGIC

The Village is a member of the Local Organized Governments in Cooperation (LOGIC) RED Center Operations, a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the Village, City of Massillon, Jackson Township, and the City of Canal Fulton, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is not dependent on the Village's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the Village. During 2004, the Village made contributions of \$11,791 but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

OMEGA JV5

The Village of Beach City is a Financing Participant with an ownership percentage of .39 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Beach City has met their debt coverage obligation.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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**NOTE 11: JOINT VENTURES** (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$36,200 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**NOTE 12: JOINTLY GOVERNED ORGANIZATIONS**

The Village participates in the Stark Council of Governments (the "Council"), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and townships with twenty-four participants providing twenty-seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting, and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens in the Village. The Village did not make any contributions during the fiscal year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from Stark Council of Governments, Canton, Ohio.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
AS OF DECEMBER 31, 2005**

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**NOTE 12: JOINTLY GOVERNED ORGANIZATIONS** (Continued)

The Village participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, and other villages, cities, and townships. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

The Municipal Energy Services Agency (MESA) is a jointly governed organization among the Village and approximately 30 other municipal electric systems. MESA was formed to provide access to a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems. The continued existence of MESA is not dependent on the Village's continued participation and the Village does not have an equity interest in or financial responsibility for MESA. MESA has no outstanding debt.

**NOTE 13: CONTINGENCIES**

A. **Grants**

The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2005.

B. **Litigation**

The village of Beach City is currently party to pending litigation proceedings seeking damages or injunctive relief as confirmed by the Village Law Director and outside legal counsel. However, in the opinion of management, the outcome of these proceedings would not have a material effect on their financial position.

Rea & Associates, Inc.  
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 30, 2006

Village Council  
Village of Beach City  
105 East Main Street  
Beach City, OH 44608

Independent Auditor's Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Village of Beach City (the "Village") as of and for the year ended December 31, 2005, and have issued our report thereon dated March 30, 2006, wherein we noted the Village follows 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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.

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 and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to management of the Village in a separate letter dated March 30, 2006.

This report is intended solely for the information and use of the Mayor, Village Council, federal awarding agencies, and management and is not intended to be and should not be used by anyone other than these specific parties.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 30, 2006

Mayor and Members of Council  
Village of Beach City  
105 East Main Street  
Beach City, OH 44608

Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program and Internal  
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Village of Beach City (the "Village") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2005. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Beach City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005. However, we noted an instance of noncompliance that we have reported to management of the Village in a separate letter dated March 30, 2006.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to the major federal program 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 compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over compliance and operations that we have reported to management of the Village in a separate letter dated March 30, 2006.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the Village of Beach City as of and for the year ended December 31, 2005, and have issued our report thereon dated March 30, 2006, wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for 2005 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the Mayor, City Council, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*



**VILLAGE OF BEACH CITY  
STARK COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Surveys, Studies, Investigations and Special Purposes Grants (U.S. EPA STAG Grant - Direct Financial Assistance)	CFDA # 66.606
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

**NONE**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**NONE**

**4. SUMMARY SCHEDULE OF PRIOR AUDIT  
FINDINGS AND CORRECTIVE ACTION PLAN**

**NONE**

VILLAGE OF BEACH CITY  
STARK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Entry Number	Program Award Amount	2005 Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>				
<i>Direct Award</i>				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$2,022,165	\$ 2,022,165
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>				
<i>Direct Award</i>				
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	N/A	1,451,800	1,005,054
<b>U.S. DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>				
(Pass Through Ohio Emergency Management Agency)				
Public Assistance Grants - FEMA	97.036	N/A	39,965	39,965
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>				<b>\$ 3,067,184</b>

See accompanying notes to schedule of expenditures of federal awards.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2005**

NOTE 1:       SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the Village's federal award programs. The Schedule has been prepared on the cash basis of accounting.





**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 BEACH CITY  
STARK 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  
JULY 18, 2006**