



**Auditor of State
Betty Montgomery**

VILLAGE OF BEACH CITY
STARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Beach City
Stark County
105 East Main Street
P.O. Box 695
Beach City, Ohio 44608

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Beach City, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

March 14, 2003

**VILLAGE OF BEACH CITY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$19,405	\$48,626		\$68,031
Income Taxes	43,701	16,897	\$7,086	67,684
Intergovernmental	72,657	49,055		121,712
Charges for Services	28,277	11,450		39,727
Fines, Licenses, and Permits	5,818			5,818
Earnings on Investments	20,272	1,222		21,494
Miscellaneous	11,243	2,049		13,292
	<u>201,373</u>	<u>129,299</u>	<u>7,086</u>	<u>337,758</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	146,966	19,937		166,903
Public Health Services	880			880
Leisure Time Activities	3,549			3,549
Community Environment	114			114
Transportation	27,192	75,039		102,231
General Government	63,000			63,000
Debt Service:				
Principal Payments		14,520		14,520
Interest Payments		7,441		7,441
Capital Outlay	37,360		4,566	41,926
	<u>279,061</u>	<u>116,937</u>	<u>4,566</u>	<u>400,564</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(77,688)</u>	<u>12,362</u>	<u>2,520</u>	<u>(62,806)</u>
Other Financing Receipts and (Disbursements):				
Proceeds From Sale of Assets	1,001			1,001
Other Uses	(5,743)	(112)		(5,855)
Transfers-Out	(23,709)			(23,709)
	<u>(28,451)</u>	<u>(112)</u>		<u>(28,563)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(106,139)	12,250	2,520	(91,369)
Fund Cash Balances, January 1	182,327	12,524	521	195,372
Fund Cash Balances, December 31	<u>\$76,188</u>	<u>\$24,774</u>	<u>\$3,041</u>	<u>\$104,003</u>
Reserves for Encumbrances, December 31	<u>\$2,803</u>	<u>\$1,919</u>	<u>\$1,728</u>	<u>\$6,450</u>

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$1,375,027	\$280	\$1,375,307
Operating Cash Disbursements:			
Personal Services	330,284		330,284
Contractual Services	773,482		773,482
Supplies and Materials	123,510		123,510
Capital Outlay	186,054		186,054
Total Operating Cash Disbursements	1,413,330		1,413,330
Operating Income/(Loss)	(38,303)	280	(38,023)
Non-Operating Cash Receipts:			
Proceeds From Sale of Assets	22,757		22,757
Interest	3,955		3,955
Proceeds of Loans	326,199		326,199
Other Non-Operating Receipts	43,302		43,302
Total Non-Operating Cash Receipts	396,213		396,213
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	234,712		234,712
Interest Payments	33,791		33,791
Other Non-Operating Cash Disbursements	4,644		4,644
Total Non-Operating Cash Disbursements	273,147		273,147
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	84,763	280	85,043
Transfers-In	23,709		23,709
Advances-In	10,000		10,000
Advances-Out	(10,000)		(10,000)
Net Receipts Over Disbursements	108,472	280	108,752
Fund Cash Balances, January 1	1,093,925	19,712	1,113,637
Fund Cash Balances, December 31	\$1,202,397	\$19,992	\$1,222,389
Reserves for Encumbrances, December 31	\$103,155	\$0	\$103,155

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$17,193	\$47,240		\$64,433
Income Taxes	42,052	16,174	\$6,470	64,696
Intergovernmental	69,883	49,489		119,372
Charges for Services	29,791	5,007		34,798
Fines, Licenses, and Permits	6,110			6,110
Contributions and Donations	7,051			7,051
Earnings on Investments	49,218	1,425		50,643
Miscellaneous	8,166	43		8,209
	<u>229,464</u>	<u>119,378</u>	<u>6,470</u>	<u>355,312</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	125,474	5,007		130,481
Leisure Time Activities	1,607			1,607
Community Environment	105			105
Transportation		102,418		102,418
General Government	67,560			67,560
Debt Service:				
Principal Payments		34,217		34,217
Interest Payments	0	14,882		14,882
Capital Outlay	940	8,054	10,237	19,231
	<u>195,686</u>	<u>164,578</u>	<u>10,237</u>	<u>370,501</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>33,778</u>	<u>(45,200)</u>	<u>(3,767)</u>	<u>(15,189)</u>
Other Financing Receipts and (Disbursements):				
Proceeds From Sale of Assets	89,305			89,305
Other Uses	(17,282)	(19)		(17,301)
Advances-In	10,000			10,000
Transfers-Out	(9,681)			(9,681)
Advances-Out	(10,000)			(10,000)
	<u>62,342</u>	<u>(19)</u>		<u>62,323</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	96,120	(45,219)	(3,767)	47,134
Fund Cash Balances, January 1	<u>86,207</u>	<u>57,743</u>	<u>4,288</u>	<u>148,238</u>
Fund Cash Balances, December 31	<u>\$182,327</u>	<u>\$12,524</u>	<u>\$521</u>	<u>\$195,372</u>
Reserves for Encumbrances, December 31	<u>\$4,667</u>	<u>\$2,535</u>	<u>\$1,000</u>	<u>\$8,202</u>

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$1,350,554	\$1,304	\$1,351,858
Operating Cash Disbursements:			
Personal Services	319,631		319,631
Contractual Services	755,728		755,728
Supplies and Materials	129,581		129,581
Capital Outlay	281,620		281,620
Total Operating Cash Disbursements	<u>1,486,560</u>		<u>1,486,560</u>
Operating Income/(Loss)	<u>(136,006)</u>	1,304	<u>(134,702)</u>
Non-Operating Cash Receipts:			
Interest	3,026		3,026
Proceeds of Loans	159,977		159,977
Other Non-Operating Receipts	26,397		26,397
Total Non-Operating Cash Receipts	<u>189,400</u>		<u>189,400</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	87,710		87,710
Interest Payments	28,749		28,749
Other Non-Operating Cash Disbursements	7,648		7,648
Total Non-Operating Cash Disbursements	<u>124,107</u>		<u>124,107</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(70,713)	1,304	(69,409)
Transfers-In	9,681		9,681
Advances-In	20,000		20,000
Advances-Out	(20,000)		(20,000)
Net Receipts Over/(Under) Disbursements	(61,032)	1,304	(59,728)
Fund Cash Balances, January 1	<u>1,154,957</u>	<u>18,408</u>	<u>1,173,365</u>
Fund Cash Balances, December 31	<u>\$1,093,925</u>	<u>\$19,712</u>	<u>\$1,113,637</u>
Reserves for Encumbrances, December 31	<u>\$164,778</u>	<u>\$0</u>	<u>\$164,778</u>

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Beach City, Stark County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water, sewer, and electric utilities, park operations, cemetery operations, and police services. Fire protection services are provided to Village residents by the Village's Volunteer Fire Department.

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. The 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 and Investments

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

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.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. 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.

3. Capital Projects Fund

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

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

4. Enterprise Funds

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

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

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

Electric Fund - This fund receives charges for services from residents and nonresidents to cover the cost of providing electric services.

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fiduciary Fund (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 nonexpendable 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 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. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$601,867	\$599,604
Certificates of deposit	143,199	139,608
Total deposits	745,066	739,212
STAR Ohio	543,018	533,020
Repurchase agreement	38,308	36,777
Total investments	581,326	569,797
Total deposits and investments	\$1,326,392	\$1,309,009

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

Investments: Repurchase agreements are uninsured and unregistered investments which are held by the counterparty, or by the bank's trust department or agent but not in the Village's name. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,453	\$202,374	(\$36,079)
Special Revenue	134,104	129,299	(4,805)
Capital Projects	9,600	7,086	(2,514)
Enterprise	1,439,300	1,804,949	365,649
Fiduciary	700	280	(420)
Total	\$1,822,157	\$2,143,988	\$321,831

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$420,022	\$311,316	\$108,706
Special Revenue	141,939	118,968	22,971
Capital Projects	9,713	6,294	3,419
Enterprise	2,424,035	1,799,632	624,403
Fiduciary	20,412	0	20,412
Total	<u>\$3,016,121</u>	<u>\$2,236,210</u>	<u>\$779,911</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$239,200	\$328,769	\$89,569
Special Revenue	130,315	119,378	(10,937)
Capital Projects	9,300	6,470	(2,830)
Enterprise	1,448,950	1,569,635	120,685
Fiduciary	500	1,304	804
Total	<u>\$1,828,265</u>	<u>\$2,025,556</u>	<u>\$197,291</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$312,646	\$237,316	\$75,330
Special Revenue	179,011	167,132	11,879
Capital Projects	23,588	11,237	12,351
Enterprise	2,631,352	1,795,445	835,907
Fiduciary	18,909	0	18,909
Total	<u>\$3,165,506</u>	<u>\$2,211,130</u>	<u>\$954,376</u>

Contrary to Ohio Rev. Code Section 5705.41(B), Village Council initially adopted appropriations at the fund type level during 2002 and 2001. Village Council retroactively adopted appropriations for fiscal years 2002 and 2001 at the fund level. In addition, contrary to Ohio Rev. Code Section 5705.42, the Village did not initially record all Ohio Water Development Authority and Ohio Public Works Commission activity, and contrary to Ohio Rev. Code Section 5705.41(D), the Village Clerk did not always certify the availability of funds prior to expenditure.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed 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. 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 of 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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan No. 3733	\$236,199	3%
Ohio Public Works Commission Loan No. CT063	11,973	0
Ohio Public Works Commission Loan No. CS03A	203,581	0
Ohio Public Works Commission Loan No. CS11D	88,425	0
1977 U.S.D.A. Rural Development Mortgage Revenue Bonds	511,000	5
Total	<u><u>\$1,051,178</u></u>	

The Ohio Water Development Authority (OWDA) loan, accruing interest at 3.0% annually, relates to water and wastewater plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$1,958,000 in loans to the Village for this project. The loan will be repaid in one installment due in 2005. The scheduled payment amount below assumes that \$1,958,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water receipts. The Village has agreed to set water rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. 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 and sewer rates sufficient to cover OPWC debt service requirements.

The U.S.D.A. Rural Development Mortgage Revenue Bonds, accruing interest at 5.0% annually, were obtained to pay for the costs of repairing the Village's elevated water tank. 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 U.S.D.A. Rural Development debt service requirements.

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

Year ending December 31:	OWDA Loan No. <u>3733</u>	OPWC Loan No. <u>CT063</u>	OPWC Loan No. <u>CS03A</u>	OPWC Loan No. <u>CS11D</u>	1977 U.S.D.A. Mortgage Revenue Bonds <u> </u>
2003	\$0	\$772	\$11,976	\$4,534	\$49,550
2004	0	772	11,976	4,534	49,350
2005	1,958,000	772	11,976	4,534	49,100
2006	0	772	11,976	4,534	48,800
2007	0	772	11,976	4,534	49,450
2008 – 2022	0	8,113	143,701	65,755	492,100
Total	<u>\$1,958,000</u>	<u>\$11,973</u>	<u>\$203,581</u>	<u>\$88,425</u>	<u>\$738,350</u>

7. CAPITAL LEASE OBLIGATION

During 1998, the Village entered into a capital lease with Emergency One, Inc. for the purchase of a new rescue squad. The lease is for a period of nine years and bears an annual interest rate of 6.09%. Payments will be made annually over 10 years.

The following is a schedule of the future minimum lease payments under the capital lease at December 31, 2002:

Year ending December 31:	<u>Amount</u>
2003	\$21,961
2004	21,961
2005	21,961
2005	21,961
2006	<u>21,961</u>
Total Minimum Lease Payments	109,805
Less: Amount Representing Interest	<u>(22,516)</u>
Net Present Value of Future Minimum Lease Payments	<u>\$87,289</u>

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. 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. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, 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. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Commercial inland marine;
- Vehicles; and
- Public official's liability.

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

10. JOINT VENTURES

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 2001 and 2000, the Village made contributions of \$2,820 in each year, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

10. JOINT VENTURES (Continued)

The Village's Board of Public Affairs has entered into ongoing joint venture agreements with other Ohio municipal electric systems to form the Ohio Municipal Electric Generation Agency Joint Ventures 1, 2, and 5 (OMEGA JV 1, OMEGA JV 2, and OMEGA JV 5) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to the six diesel-powered generating units in OMEGA JV 1 and title to the hydroelectric project in OMEGA JV 5 located at the existing Belleville Lock was transferred to the municipal electrical systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a membership organization comprised of communities throughout Ohio, West Virginia, and Pennsylvania that own and operate electric systems. Each participant has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. The Village did not have a significant equity or ownership interest in OMEGA JV 1, OMEGA JV 2, or OMEGA JV 5 at December 31, 2002. Additional financial information can be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219. OMEGA JV 1, OMEGA JV 2, and OMEGA JV 5 are not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the Village.

11. 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 on 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 the Stark Council of Governments, Canton, 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.

12. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the State government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

13. SUBSEQUENT EVENT

During 2001, the Village entered into a joint agreement with the Village of Wilmot to upgrade its wastewater system through grant and loan assistance provided by the Ohio Water Development Authority, Ohio Public Works Commission, and U.S.D.A. Department of Rural Development. On April 24, 2003, the Village received a \$111,589 grant from the U.S.D.A. Department of Rural Development to be applied toward the costs of the project.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Beach City
Stark County
105 East Main Street
P.O. Box 695
Beach City, Ohio 44608

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Beach City, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 14, 2003. 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.

Compliance

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 grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-31276-001 through 2002-31276-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 14, 2003.

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. However, we noted a certain matter involving the internal control over financial and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-31276-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 14, 2003.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by 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

March 14, 2003

VILLAGE OF BEACH CITY
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER 2002-31276-001

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- a) Then and Now Certificates - If no certificate is furnished as required, upon receipt of the Village Clerk's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council, as the Village's taxing authority, may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate
- b) If the amount involved is less than \$1,000, the Village Clerk, as the Village's fiscal officer, may authorize payment through a Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid

During 2002 and 2001, 7% and 37% of expenditures tested, respectively, were not certified by the Village Clerk prior to incurring the commitment. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. As a result, the Village could inadvertently overspend certain appropriations. Prior to entering into commitments, the Village Clerk should certify that funds are available for expenditure. The Village Clerk should also inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2002-31276-002

Ohio Rev. Code Section 5705.41 (B) limits expenditures and encumbrances within the levels of legally adopted appropriations. The "legal level of budgetary control" is defined in *Government Accounting, Auditing, and Financial Reporting* as "the level at which spending in excess of budgeted amounts would be a violation of law". In Ohio, the legal level of control is the level at which the Annual Appropriation Measure is passed by the legislative authority of a local government as evidenced in the minutes record.

During 2002 and 2001, Village Council initially adopted its annual appropriation measures at the *fund type* level (e.g., All Special Revenue Funds in total, All Enterprise Funds in total) as evidenced in the minute records. However, the highest level of budgetary control permitted by the Ohio Revised Code is the *fund* level (e.g., State Highway Fund, Fire Levy Fund, Water Fund, Sewer Fund, etc.). As a result, the Village's appropriations were not legally valid. Consequently, Village Council retroactively adopted its fiscal year 2002 and 2001 appropriations at the fund level. Village Council should adopt its annual appropriation measures at levels permitted by the Ohio Rev. Code. Village Council should then approve all supplemental and amended appropriations throughout the year at this same level. This will help ensure the Village has legally appropriated funds for spending.

NONCOMPLIANCE CITATIONS (Continued)

FINDING NUMBER 2002-31276-003

Ohio Rev. Code Section 5705.42 states, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, the amount is deemed appropriated for such purpose and shall be recorded by the subdivision.

During 2002 and 2001, the Village Clerk did not initially record or appropriate loan activity from the Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) relating to the Village's water and sewer expansion projects approximating \$246,000 and \$109,000, respectively, in the Enterprise Water and Sewer Funds. As a result, budgeted and actual receipts and expenditures were initially understated. When the Village enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the Village or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. Therefore, the Village Clerk should record all OPWC and OWDA monies as memorandum receipts and expenditures and refer to Auditor of State Bulletins 2000-008 and 2002-004 for additional guidance. This will help ensure receipts and expenditures are not understated. These amounts were subsequently adjusted on the Village's financial statements.

REPORTABLE CONDITION

FINDING NUMBER 2002-31276-004

Emergency Medical Services (EMS) Fees

The Village has a fire levy that supports the costs of operating its Volunteer Fire Department. Members of the Village's Volunteer Fire Department are also members of a Firemen's Association (Association), which is a legally and organizationally separate entity governed under its own bylaws. According to their respective by-laws, the Association is entitled to receive proceeds from fund raising activities such as bingo games, steak fries, etc. All other activity, such as EMS billings, should be remitted to the Village's Fire Department and is required to be receipted and accounted for within the Village's accounting records and presented on the Village's financial statements. During 2002 and 2001, the Association collected and subsequently disbursed EMS billings received from Ohio Billing, Inc., a third party administrator, rather than remitting them directly to the Village. As a result, the Village's Special Revenue Fire Levy Fund receipts and disbursements were initially understated and the risk of misappropriation was increased.

The Village Clerk should receipt and account for all EMS fees and other activity pertaining to the Village's Fire Department. This activity should be recorded within the Village's accounting records and presented on the Village's financial statements. In addition, these monies should be disbursed according to the Village's purchasing procedures. The Village Fire Chief should periodically review the billing and collection information received from Ohio Billing, Inc. for accuracy and completeness. We proposed audit adjustments and the Village recorded these adjustments within its accounting records and financial statements to properly reflect the EMS receipts and disbursements.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31276-001	Ohio Rev. Code Section 5705.41(D) – 28% of expenditures tested were certified after the invoice date.	No	Not Corrected. Repeated as Finding Number 2002-31276-001.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF 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
JUNE 3, 2003**