



**VILLAGE OF BEACH CITY  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2003**



**Auditor of State  
Betty Montgomery**



VILLAGE OF BEACH CITY  
STARK COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2003.....	3
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, 2003.....	4
Notes to the Financial Statements.....	5
Schedule of Receipts and Expenditures of Federal Awards.....	13
Notes to the Schedule of Receipts and Expenditures of Federal Awards.....	14
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**



## 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 year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2004 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.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

August 31, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Taxes	\$19,483	\$44,852		\$64,335
Income Taxes	52,057	20,074	\$8,166	80,297
Intergovernmental	81,417	87,955		169,372
Charges for Services	37	36,972		37,009
Fines, Licenses, and Permits	196			196
Earnings on Investments	23,098	1,084		24,182
Miscellaneous	6,270	1,075	45	7,390
	<u>182,558</u>	<u>192,012</u>	<u>8,211</u>	<u>382,781</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	100,854	185,568		286,422
Leisure Time Activities	2,845			2,845
Transportation	25,975	77,220		103,195
General Government	72,323			72,323
Debt Service:				
Principal Payments		16,341		16,341
Interest Payments		8,236		8,236
Capital Outlay	4,078		9,021	13,099
	<u>206,075</u>	<u>287,365</u>	<u>9,021</u>	<u>502,461</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(23,517)</u>	<u>(95,353)</u>	<u>(810)</u>	<u>(119,680)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds of Bonds		96,000		96,000
Transfers-Out	(12,668)			(12,668)
Other Sources		4,954		4,954
Other Uses		(687)		(687)
	<u>(12,668)</u>	<u>100,267</u>	<u>0</u>	<u>87,599</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(36,185)	4,914	(810)	(32,081)
Fund Cash Balances, January 1	<u>76,188</u>	<u>24,774</u>	<u>3,041</u>	<u>104,003</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$40,003</u></u>	<u><u>\$29,688</u></u>	<u><u>\$2,231</u></u>	<u><u>\$71,922</u></u>
Reserves for Encumbrances, December 31	<u><u>\$1,071</u></u>	<u><u>\$2,769</u></u>	<u><u>\$0</u></u>	<u><u>\$3,840</u></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, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,445,961	\$180	\$1,446,141
Total Operating Cash Receipts	<u>1,445,961</u>	<u>180</u>	<u>1,446,141</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	318,777		318,777
Contractual Services	812,247		812,247
Supplies and Materials	119,472		119,472
Capital Outlay	2,584,653		2,584,653
Total Operating Cash Disbursements	<u>3,835,149</u>	<u>0</u>	<u>3,835,149</u>
Operating Income/(Loss)	<u>(2,389,188)</u>	<u>180</u>	<u>(2,389,008)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	736,212		736,212
Interest	8,319	84	8,403
Proceeds of Loans	1,722,854		1,722,854
Miscellaneous	2,418		2,418
Other	16,938		16,938
Total Non-Operating Cash Receipts	<u>2,486,741</u>	<u>84</u>	<u>2,486,825</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal Payments	41,282		41,282
Interest Payments	25,550		25,550
Other	5,398		5,398
Total Non-Operating Cash Disbursements	<u>72,230</u>	<u>0</u>	<u>72,230</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	25,323	264	25,587
Transfers-In	<u>12,668</u>		<u>12,668</u>
Net Receipts Over Disbursements	37,991	264	38,255
Fund Cash Balances, January 1	<u>1,202,397</u>	<u>19,992</u>	<u>1,222,389</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,240,388</u></b>	<b><u>\$20,256</u></b>	<b><u>\$1,260,644</u></b>
Reserve for Encumbrances, December 31	<u>\$57,808</u>	<u>\$0</u>	<u>\$57,808</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, 2003**

**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**

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  
DECEMBER 31, 2003  
(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 Fund**

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 Project Funds**

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 Project 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 for 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, 2003  
(Continued)**

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

**D. Fund Accounting (Continued)**

**5. 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 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. Adjustments to budgetary presentations were not required.

A summary of 2003 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(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:

	2003
Demand deposits	\$715,082
Certificates of deposit	67,756
Total deposits	782,838
STAR Ohio	549,728
Total deposits and investments	\$1,332,566

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or 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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$231,000	\$182,558	(\$48,442)
Special Revenue	330,878	292,966	(37,912)
Capital Projects	9,045	8,211	(834)
Enterprise	3,909,621	3,945,370	35,749
Fiduciary	834	264	(570)
Total	\$4,481,378	\$4,429,369	(\$52,009)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$307,080	\$219,814	\$87,266
Special Revenue	347,799	290,821	56,978
Capital Projects	10,951	9,021	1,930
Enterprise	5,111,589	3,965,187	1,146,402
Fiduciary	20,826	0	20,826
Total	\$5,798,245	\$4,484,843	\$1,313,402

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan No. 3733	\$1,958,000	3.00%
Ohio Public Works Commission Loan No. CT063	11,201	0.00%
Ohio Public Works Commission Loan No. CS03A	191,606	0.00%
Ohio Public Works Commission Loan No. CS11D	83,890	0.00%
2003 U.S.D.A. Rural Development Fire Department Improvement Bonds	96,000	4.50%
1977 U.S.D.A. Rural Development Mortgage Revenue Bonds	487,000	5.00%
Total	<u>\$2,827,697</u>	

The Ohio Water Development Authority (OWDA) loan, accruing interest at 3.0% annually, relates to a 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 annual installment due in 2005. 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, 2003  
(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 Fire Department Improvement Bonds, accruing interest at 4.5% 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.

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:

	OWDA Loan No. 3733	OPWC Loan No. CT063	OPWC Loan No. CS03A	OPWC Loan No. CS11D	2003 U.S.D.A. Fire Dept. Bond	1977 U.S.D.A. Mortgage Revenue Bond
Year ending December 31:						
2004	\$0	\$772	\$11,976	\$4,534	\$12,332	\$49,350
2005	1,958,000	772	11,976	4,534	11,960	49,100
2006	0	772	11,976	4,534	11,600	48,800
2007	0	772	11,976	4,534	12,240	49,450
2008	0	772	11,976	4,534	11,843	49,000
2009 – 2022	0	7,338	131,726	61,220	61,518	443,100
Total	<u>\$1,958,000</u>	<u>\$11,201</u>	<u>\$191,606</u>	<u>\$83,890</u>	<u>\$121,493</u>	<u>\$688,800</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, 2003:

Year ending December 31:	<u>Amount</u>
2004	\$ 21,961
2005	21,961
2006	21,961
2007	21,961
	<u>87,844</u>
	Less: Amount Representing Interest
	<u>(11,903)</u>
	<u>\$ 75,941</u>

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(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 2003, 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, 2003.

**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 2003, the Village made contributions of \$9,541, 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, 2003  
(Continued)**

**10. JOINT VENTURES (Continued)**

The Village's Board of Public Affairs has entered into ongoing joint ventures agreements with other Ohio municipal electric systems to form the Ohio Municipal Electric Generation Agency Joint Ventures 1 and 5 (OMEGA JV 1 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 or OMEGA JV 5 at December 31, 2003. Additional financial information can be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219. OMEGA JV 1 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 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 the Stark Council of Governments, Canton, Ohio.

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 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.



**VILLAGE OF BEACH CITY  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Direct:</i>				
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	2,428,995	2,406,558
Community Facilities Loans and Grants	N/A	10.766	<u>126,000</u>	<u>123,950</u>
Total			<u><u>\$2,554,995</u></u>	<u><u>\$2,530,508</u></u>

*See accompanying Notes to the Schedule of Receipts and Expenditures of Federal Awards.*

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED DECEMBER 31, 2003**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and 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**

**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 (the Village) as of and for the year ended December 31, 2003 and have issued our report thereon dated August 31, 2004. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 31, 2004.

**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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 31, 2004.

Village of Beach City  
Stark County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, 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

August 31, 2004



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Beach City  
Stark County  
P.O. Box 113  
Beach City, Ohio 44633

To the Honorable Mayor and Village Council:

**Compliance**

We have audited the compliance of the Village of Beach City, Stark County, Ohio, (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 program for the year ended December 31, 2003. The Village's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. 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; and OMB Circular A-133, *Audits of States, 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 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, 2003. However, we noted an other immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated August 31, 2004.

### **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 that would be material in relation to a 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.

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



**Betty Montgomery**  
Auditor of State

August 31, 2004

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2003**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**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.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-001	<b>Ohio Rev. Code Section 5705.41(D)</b> – 7% and 37% of expenditures tested were certified after the invoice date.	No	Not corrected. However, based on number of instances, will be communicated to Village Council and Mayor in the Management Letter.
2002-002	<b>Ohio Rev. Code Section 5705.41(B)</b> - Annual appropriations measure adopted at the fund type level.	Yes	Finding no longer valid.
2002-003	<b>Ohio Rev. Code Section 5705.42</b> - Loan activity from OPWC and OWDA not initially recorded or appropriated.	No	Not corrected. However, based on amount not recorded or appropriated, will be communicated to Village Council and Mayor in the Management Letter.
2002-004	<b>EMS Fees</b> - All receipt and disbursement activity pertaining to Fire Department activity was not recorded in the Village's accounting records.	Yes	Finding no longer valid.





**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  
SEPTEMBER 30, 2004**