



**VILLAGE OF BEACH CITY
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF BEACH CITY
STARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Beach City
Stark County
105 E. Main Street
PO Box 695
Beach City, Ohio 44608

To the 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, 2000 and 1999. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 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, 2000 and 1999, 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 April 3, 2001 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 conjunction with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of Beach City
Stark County
Report of Independent Accountants
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This report is intended solely for the information and use of the audit committee, management, and 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.

Jim Petro
Auditor of State

April 3, 2001

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, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$67,199	\$57,578	\$6,777	\$131,554
Intergovernmental Receipts	78,616	43,404		122,020
Charges for Services	29,117			29,117
Fines, Licenses, and Permits	644			644
Earnings on Investments	46,190	21,343		67,533
Miscellaneous	10,430	631		11,061
	<u>232,196</u>	<u>122,956</u>	<u>6,777</u>	<u>361,929</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	124,504			124,504
Public Health Services	802			802
Leisure Time Activities	669			669
Community Environment	105			105
Transportation	31,329	62,931		94,260
General Government	53,913			53,913
Debt Service:				
Principal Payments		13,685		13,685
Interest Payments		8,276		8,276
Capital Outlay			10,230	10,230
	<u>211,322</u>	<u>84,892</u>	<u>10,230</u>	<u>306,444</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>20,874</u>	<u>38,064</u>	<u>(3,453)</u>	<u>55,485</u>
Other Financing Disbursements:				
Other Uses	<u>(8,611)</u>	<u>(54)</u>		<u>(8,665)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,263	38,010	(3,453)	46,820
Fund Cash Balances, January 1	<u>73,944</u>	<u>19,733</u>	<u>7,741</u>	<u>101,418</u>
Fund Cash Balances, December 31	<u>\$86,207</u>	<u>\$57,743</u>	<u>\$4,288</u>	<u>\$148,238</u>
Reserves for Encumbrances, December 31	<u>\$7,685</u>	<u>\$1,723</u>	<u>\$0</u>	<u>\$9,408</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
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$1,341,320	\$175	\$1,341,495
Operating Cash Disbursements:			
Personal Services	261,894		261,894
Contractual Services	670,855		670,855
Supplies and Materials	105,732	9	105,741
Capital Outlay	78,534		78,534
Total Operating Cash Disbursements	<u>1,117,015</u>	<u>9</u>	<u>1,117,024</u>
Operating Income	<u>224,305</u>	<u>166</u>	<u>224,471</u>
Non-Operating Cash Receipts:			
Interest	6,478		6,478
Other Non-Operating Receipts	16,172		16,172
Total Non-Operating Cash Receipts	<u>22,650</u>	<u>0</u>	<u>22,650</u>
Non-Operating Cash Disbursements:			
Debt Service	102,355		102,355
Other Non-Operating Cash Disbursements	5,882		5,882
Total Non-Operating Cash Disbursements	<u>108,237</u>	<u>0</u>	<u>108,237</u>
Net Receipts Over Disbursements	138,718	166	138,884
Fund Cash Balances, January 1	<u>1,016,239</u>	<u>18,242</u>	<u>1,034,481</u>
Fund Cash Balances, December 31	<u>\$1,154,957</u>	<u>\$18,408</u>	<u>\$1,173,365</u>
Reserve for Encumbrances, December 31	<u>\$25,239</u>	<u>\$0</u>	<u>\$0</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
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$66,400	\$35,462	\$7,264	\$109,126
Intergovernmental Receipts	72,561	88,283		160,844
Charges for Services	26,156			26,156
Fines, Licenses, and Permits	1,104			1,104
Earnings on Investments	30,495	7,883		38,378
Miscellaneous	18,737	75		18,812
	<u>215,453</u>	<u>131,703</u>	<u>7,264</u>	<u>354,420</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	123,866			123,866
Public Health Services	1,583			1,583
Leisure Time Activities	1,378			1,378
Community Environment	105			105
Transportation		137,310		137,310
General Government	63,023			63,023
Debt Service:				
Principal Payments		14,406		14,406
Interest Payments		4,957		4,957
Capital Outlay	6,428		9,310	15,738
	<u>196,383</u>	<u>156,673</u>	<u>9,310</u>	<u>362,366</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	19,070	(24,970)	(2,046)	(7,946)
Other Financing Receipts/(Disbursements):				
Other Uses	(7,466)	(50)		(7,516)
Advances-In		15,000		15,000
Advances-Out	(15,000)			(15,000)
	<u>(22,466)</u>	<u>14,950</u>	<u>0</u>	<u>(7,516)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(3,396)	(10,020)	(2,046)	(15,462)
Fund Cash Balances, January 1 (Restated - Note 11)	77,340	29,753	9,787	116,880
Fund Cash Balances, December 31	<u>\$73,944</u>	<u>\$19,733</u>	<u>\$7,741</u>	<u>\$101,418</u>
Reserves for Encumbrances, December 31	<u>\$2,118</u>	<u>\$351</u>	<u>\$350</u>	<u>\$2,819</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
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$1,321,411	\$184	\$1,321,595
Operating Cash Disbursements:			
Personal Services	270,870		270,870
Contractual Services	662,032		662,032
Supplies and Materials	78,265		78,265
Capital Outlay	166,421		166,421
Total Operating Cash Disbursements	<u>1,177,588</u>	<u>0</u>	<u>1,177,588</u>
Operating Income	<u>143,823</u>	<u>184</u>	<u>144,007</u>
Non-Operating Cash Receipts:			
Proceeds from Notes	88,502		88,502
Other Non-Operating Receipts	32,436		32,436
Total Non-Operating Cash Receipts	<u>120,938</u>	<u>0</u>	<u>120,938</u>
Non-Operating Cash Disbursements:			
Debt Service	90,380		90,380
Other Non-Operating Cash Disbursements	17,947		17,947
Total Non-Operating Cash Disbursements	<u>108,327</u>	<u>0</u>	<u>108,327</u>
Net Receipts Over/(Under) Disbursements	156,434	184	156,618
Fund Cash Balances, January 1	<u>859,805</u>	<u>18,058</u>	<u>877,863</u>
Fund Cash Balances, December 31	<u>\$1,016,239</u>	<u>\$18,242</u>	<u>\$1,034,481</u>
Reserve for Encumbrances, December 31	<u>\$14,130</u>	<u>\$0</u>	<u>\$0</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, 2000 AND 1999**

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 general governmental services, including water and sewer utilities, and police and fire services.

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

B. Basis of Accounting

These financial statements follow the 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.

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.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 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 significant capital projects fund:

Capital Improvement Fund - This fund receives a portion of income tax revenue to account for the payment of capital improvements for 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:

Sanitary 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
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (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. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant nonexpendable 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) for 2000 may not exceed appropriations at the fund, function level of control for the General Fund and at the fund level for all other funds and for 1999 at the fund, object level for all funds. In addition, appropriations may not exceed estimated resources. 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.

A summary of 2000 and 1999 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.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

	<u>2000</u>	<u>1999</u>
Demand deposits	(\$16,346)	(\$19,142)
Certificates of deposit	136,218	132,854
Total deposits	119,872	113,712
Repurchase agreement	691,754	542,548
STAR Ohio	509,977	479,639
Total investments	1,201,731	1,022,187
Total deposits and investments	\$1,321,603	\$1,135,899

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.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 204,822	\$ 232,196	\$ 27,374
Special Revenue	105,865	122,956	17,091
Capital Projects	7,000	6,777	(223)
Enterprise	1,283,500	1,363,970	80,470
Fiduciary	300	175	(125)
Total	\$ 1,601,487	\$ 1,726,074	\$ 124,587

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 296,912	\$ 227,618	\$ 69,294
Special Revenue	106,853	85,297	21,556
Capital Projects	14,741	10,230	4,511
Enterprise	2,422,245	1,250,491	1,171,754
Fiduciary	18,542	9	18,533
Total	\$ 2,859,293	\$ 1,573,645	\$ 1,285,648

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 187,275	\$ 215,453	\$ 28,178
Special Revenue	151,738	131,703	(20,035)
Capital Projects	6,000	7,264	1,264
Enterprise	1,165,800	1,442,349	276,549
Fiduciary	300	184	(116)
Total	\$ 1,511,113	\$ 1,796,953	\$ 285,840

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 261,351	\$ 226,534	\$ 34,817
Special Revenue	183,557	157,074	26,483
Capital Projects	15,787	9,660	6,127
Enterprise	2,022,348	1,330,045	692,303
Fiduciary	18,359	0	18,359
Total	\$ 2,501,402	\$ 1,723,313	\$ 778,089

Contrary to Ohio Revised Code Section 5705.41 (D), during the audit period, the Village did not always certify the availability of funds prior to incurring the purchase obligation.

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.

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

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 30,000	0%
Ohio Public Works Commission Loans	241,050	0%
General Obligation Note	30,425	6%
Mortgage Revenue Bonds	556,450	5%
Total	\$ 857,925	

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The general obligation note was used to fund repairs to Water Fund capital assets. The mortgage revenue bonds relate to the Village's sewer system improvements.

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

Year ending December 31:	OWDA Loan	OPWC Loans	General Obligation Notes	Mortgage Revenue Bonds
2001	\$ 5,000	\$ 12,747	\$ 31,861	\$ 99,800
2002	5,000	12,747	0	67,447
2003	5,000	12,747	0	67,297
2004	5,000	12,747	0	67,097
2005	5,000	12,747	0	66,847
Subsequent	<u>5,000</u>	<u>177,315</u>	<u>0</u>	<u>491,265</u>
Total	<u>\$ 30,000</u>	<u>\$ 241,050</u>	<u>\$ 31,861</u>	<u>\$ 859,753</u>

6. CAPITAL LEASE OBLIGATION

During 1998, the Village entered into a capital lease with Emergency One, Inc. for a new fire truck. The lease is for a period of nine years and bears an annual interest rate of 6.09%. Payments are made on an annual basis.

The following is a schedule of the future minimum lease payments under the capital lease at December 31, 2000.

Year ending December 31	Amount
2001	\$21,961
2002	21,961
2003	21,961
2004	21,961
2005	21,961
Subsequent	<u>43,922</u>
Total Minimum Lease Payments	153,727
Less: Amount Representing Interest	<u>(31,523)</u>
Net Present Value of Future Minimum Lease Payments	<u>\$122,204</u>

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS 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 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries for 2000 and 1999. The Village contributed an amount equal to 10.84% for 2000 and 13.55% in 1999 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance coverage to full-time employees through a private carrier.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. 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.

10. JOINTLY GOVERNED ORGANIZATIONS

A. Stark Council of Governments (Council)

The Village participates in the Council which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County and the municipalities and townships within Stark County. There are 27 members of the Council and each member's control over the operation of the Council is limited to its representation on the Board. The Board exercises total authority over the operation of the Council. The Village did not contribute any money to the Council in 2000 or 1999.

B. Stark County Regional Planning Commission (Commission)

The Village participates in the Commission which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County and the municipalities and townships within Stark County. There are 48 members of the Commission. Each member's control over the operation of the Commission is limited its representation on the Board. The Board exercises total authority over the operation of the Commission. The Village did not contribute any money to the Commission in 2000 or 1999.

VILLAGE OF BEACH CITY
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)

11. PRIOR PERIOD ADJUSTMENT

Prior to 1999, the Fire Levy, Special Revenue Fund, was incorrectly reported as a Debt Service Fund. The correction of this error had the following net effect on fund balances as previously reported at December 31, 1998:

	Balance Previously Reported	Restatement	Restated Balance January 1, 1999
Special Revenue	\$4,353	\$25,400	\$29,753
Debt Service	25,400	(25,400)	0

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Beach City
Stark County
105 E. Main Street
PO Box 695
Beach City, Ohio 44608

To the 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, 2000 and 1999, and have issued our report thereon dated April 3, 2001. We conducted our audits in accordance with generally accepted auditing standards 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2000-31276-001. In addition, we also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 3, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 April 3, 2001.

Village of Beach City
Stark County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 3, 2001

VILLAGE OF BEACH CITY
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-31276-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states, in part, that no subdivision or taxing unit shall 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 purposes and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer'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, Council 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 Clerk/Treasurer may authorize payment through a Then and Now Certificate without the affirmation of Council, if such expenditure is otherwise valid.

Of the expenditures tested, 28% were not certified by the Clerk/Treasurer prior to incurring the purchase obligation. The Village should inform all employees of the requirements of Ohio Rev. Code Section 5705.41(D) and the importance of certifying the availability of funds. The Village should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.



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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
MAY 15, 2001**