

Village of Beach City
Audited Financial Statements

December 31, 2007 and 2006



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Beach City, Stark County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Beach City is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 30, 2008

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VILLAGE OF BEACH CITY
STARK COUNTY

DECEMBER 31, 2007 AND 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Expendable Trust Fund for the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type for the Year Ended December 31, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Expendable Trust Fund for the Year Ended December 31, 2006	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type for the Year Ended December 31, 2006	6
Notes to the Financial Statements.....	7-23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

May 15, 2008

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

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Beach City (the "Village") as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to generally accepted accounting principles would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use generally accepted accounting principles to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Mayor and Members of Council
Village of Beach City
Independent Auditor's Report
May 15, 2008
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Beach City, Stark County, as of December 31, 2007 and 2006 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Rea & Associates, Inc.

VILLAGE OF BEACH CITY
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only) Total
CASH RECEIPTS:					
Property and other Local Taxes	\$ 100,733	\$ 83,621	\$ 7,167	\$ 0	\$ 191,521
Intergovernmental Revenue	76,229	47,045	0	0	123,274
Charges For Services	25	67,425	0	140	67,590
Fines, Licenses and Permits	375	0	0	0	375
Interest	40,391	989	0	0	41,380
Miscellaneous	9,435	5,626	0	0	15,061
Total Cash Receipts	227,188	204,706	7,167	140	439,201
CASH DISBURSEMENTS:					
Current:					
Security of Persons	84,596	104,478	0	0	189,074
Leisure Time Activities	3,693	0	0	0	3,693
Transportation	12,881	66,754	0	0	79,635
General Government	69,472	0	0	0	69,472
Capital Outlay	47,614	1,077	0	0	48,691
Debt Service:					
Redemption of Principal	0	22,329	0	0	22,329
Interest and Other Finance Charges	0	11,821	0	0	11,821
Total Cash Disbursements	218,256	206,459	0	0	424,715
Total Cash Receipts Over (Under) Cash Disbursements	8,932	(1,753)	7,167	140	14,486
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Sale of Fixed Assets	0	1,350	0	0	1,350
Other Financing Sources	0	466	0	0	466
Other Financing Uses	(5,201)	(299)	0	0	(5,500)
Total Other Financing Receipts (Disbursements)	(5,201)	1,517	0	0	(3,684)
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	3,731	(236)	7,167	140	10,802
FUND CASH BALANCES, January 1, 2007	84,620	44,028	8,300	29,106	166,054
FUND CASH BALANCES, December 31, 2007	\$ 88,351	\$ 43,792	\$ 15,467	\$ 29,246	\$ 176,856
RESERVE FOR ENCUMBRANCES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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

VILLAGE OF BEACH CITY
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for services	\$ 1,931,692
Other Operating Revenue	3,860
Total Operating Cash Receipts	1,935,552
OPERATING CASH DISBURSEMENTS:	
Personal services	340,809
Transportation	1,064
Contractual services	1,135,447
Material and supplies	158,963
Capital outlay	323,268
Total Operating Cash Disbursements	1,959,551
Operating Loss	(23,999)
NON-OPERATING CASH RECEIPTS:	
Sale of Fixed Assets	2,348
Other non-operating revenues	39,354
Interest	8,622
Total Non-Operating Cash Receipts	50,324
NON-OPERATING CASH DISBURSEMENTS:	
Debt service:	
Principal retirement	47,482
Interest and fiscal charges	79,437
Other non-operating disbursements	8,514
Total Non-Operating Disbursements	135,433
Total Cash Receipts Over (Under) Cash Disbursements Before Interfund Transfers	(109,108)
Advances-in	75,000
Advances-out	(75,000)
Net Cash Receipts Over (Under) Cash Disbursements	(109,108)
FUND CASH BALANCES, January 1, 2007	1,298,544
FUND CASH BALANCES, December 31, 2007	\$ 1,189,436
RESERVE FOR ENCUMBRANCES	\$ 0

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

VILLAGE OF BEACH CITY
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only) Total
CASH RECEIPTS:					
Property and other Local Taxes	\$ 98,926	\$ 75,855	\$ 7,978	\$ 0	\$ 182,759
Intergovernmental Revenue	59,324	71,665	0	0	130,989
Charges For Services	24	70,736	0	540	71,300
Fines, Licenses and Permits	531	0	0	0	531
Interest	38,128	779	0	418	39,325
Miscellaneous	11,787	4,870	0	0	16,657
Total Cash Receipts	208,720	223,905	7,978	958	441,561
CASH DISBURSEMENTS:					
Current:					
Security of Persons	83,460	81,613	0	0	165,073
Public Health Services	145	0	0	0	145
Leisure Time Activities	3,191	0	0	0	3,191
Transportation	23,389	71,395	0	0	94,784
General Government	59,918	0	0	0	59,918
Capital Outlay	8,352	33,912	5,655	0	47,919
Debt Service:					
Redemption of Principal	0	22,059	0	0	22,059
Interest and Other Finance Charges	0	11,451	0	0	11,451
Total Cash Disbursements	178,455	220,430	5,655	0	404,540
Total Cash Receipts Over (Under) Cash Disbursements	30,265	3,475	2,323	958	37,021
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Sale of Fixed Assets	0	5,000	0	0	5,000
Other Financing Sources	0	1,730	0	0	1,730
Other Financing Uses	(4,079)	(1,020)	0	0	(5,099)
Total Other Financing Receipts (Disbursements)	(4,079)	5,710	0	0	1,631
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	26,186	9,185	2,323	958	38,652
FUND CASH BALANCES, January 1, 2006	58,434	34,843	5,977	28,148	127,402
FUND CASH BALANCES, December 31, 2006	\$ 84,620	\$ 44,028	\$ 8,300	\$ 29,106	\$ 166,054
RESERVE FOR ENCUMBRANCES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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

VILLAGE OF BEACH CITY
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary</u>
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for services	\$ 1,903,431
Other Operating Revenue	3,624
Total Operating Cash Receipts	<u>1,907,055</u>
OPERATING CASH DISBURSEMENTS:	
Personal services	329,514
Transportation	923
Contractual services	1,217,166
Material and supplies	140,317
Capital outlay	85,839
Total Operating Cash Disbursements	<u>1,773,759</u>
Operating Income	133,296
NON-OPERATING CASH RECEIPTS:	
Intergovernmental Revenue	2,500
Other non-operating revenues	37,975
Interest	6,721
Total Non-Operating Cash Receipts	<u>47,196</u>
NON-OPERATING CASH DISBURSEMENTS:	
Debt service:	
Principal retirement	31,707
Interest and fiscal charges	58,168
Other non-operating disbursements	10,043
Total Non-Operating Disbursements	<u>99,918</u>
Net Cash Receipts Over Cash Disbursements	80,574
FUND CASH BALANCES, January 1, 2006	<u>1,217,970</u>
FUND CASH BALANCES, December 31, 2006	<u>\$ 1,298,544</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 0</u>

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Beach City, Stark County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer, and electric utilities, park operations (leisure time activities), cemetery operations, and police and fire services.

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

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

Joint Ventures

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

Jointly Governed Organizations

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

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

Capital Projects Fund

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

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

Enterprise Funds

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

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

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

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise Funds (Continued)

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

Fiduciary Funds (Trust Fund)

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 618,753	\$ 753,830
Certifications of deposit	<u>113,675</u>	<u>108,029</u>
Total deposits	732,428	861,859
 STAR Ohio	 <u>633,864</u>	 <u>602,739</u>
 Total deposits and investments	 <u>\$ 1,366,292</u>	 <u>\$ 1,464,598</u>

Deposits

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

Investments

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2007 and 2006 is as follows:

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 193,050	\$ 227,188	\$ 34,138
Special Revenue	185,236	206,522	21,286
Capital Projects	8,000	7,167	(833)
Enterprise	2,135,520	1,985,876	(149,644)
Expendable Trust	<u>2,900</u>	<u>140</u>	<u>(2,760)</u>
Total	<u>\$ 2,524,706</u>	<u>\$ 2,426,893</u>	<u>\$ (97,813)</u>

2007 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 277,034	\$ 223,457	\$ 53,577
Special Revenue	229,900	206,758	23,142
Capital Projects	16,300	0	16,300
Enterprise	3,268,207	2,094,984	1,173,223
Expendable Trust	<u>122,863</u>	<u>0</u>	<u>122,863</u>
Total	<u>\$ 3,914,304</u>	<u>\$ 2,525,199</u>	<u>\$ 1,389,105</u>

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 172,250	\$ 208,720	\$ 36,470
Special Revenue	208,760	230,635	21,875
Capital Projects	7,800	7,978	178
Enterprise	1,975,000	1,954,251	(20,749)
Expendable Trust	<u>2,499</u>	<u>958</u>	<u>(1,541)</u>
Total	<u>\$ 2,366,309</u>	<u>\$ 2,402,542</u>	<u>\$ 36,233</u>

2006 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 229,904	\$ 182,534	\$ 47,370
Special Revenue	242,457	221,450	21,007
Capital Projects	13,777	5,655	8,122
Enterprise	2,946,475	1,873,677	1,072,798
Expendable Trust	<u>117,696</u>	<u>0</u>	<u>117,696</u>
Total	<u>\$ 3,550,309</u>	<u>\$ 2,283,316</u>	<u>\$ 1,266,993</u>

NOTE 4: PROPERTY TAX

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

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 4: PROPERTY TAX (Continued)

Tangible personal property tax received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTE 5: LOCAL INCOME TAX

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

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

NOTE 6: LONG-TERM DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	\$ 1,448,300	4.25%
OPWC Loans	220,220	0.00%
USDA Loans	<u>63,000</u>	4.50%
Total	<u>\$ 1,731,520</u>	

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 6: LONG-TERM DEBT (Continued)

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	\$ 1,463,600	4.25%
OPWC Loans	237,503	0.00%
USDA Loans	<u>72,000</u>	4.50%
Total	<u>\$ 1,773,103</u>	

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

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

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

The Village is also a member of the OMEGA JV5 Joint Venture (Refer to Note 11) beginning in 2007, the Village began showing their portion of the debt related to this project as principal and interest. This debt payment is calculated based on each member of the joint ventures share of the total electric used. The Village's share of the debt which was paid during 2007 was \$32,134 which consisted of \$14,900 of principal and \$17,234 of interest.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 6: LONG-TERM DEBT (Continued)

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

Year ending December 31:	Sewer System	OPWC Loans	USDA Loans
2008	\$ 77,353	\$ 17,282	\$ 11,600
2009	77,481	17,282	12,240
2010	77,576	17,282	11,843
2011	77,536	17,282	12,430
2012	77,367	17,282	11,980
2013-2017	387,540	86,412	37,108
2018-2022	387,435	47,397	0
2023-2027	387,509	0	0
2028-2032	387,337	0	0
2033-2037	387,429	0	0
2038-2042	387,519	0	0
2043-2045	232,554	0	0
Total	\$2,944,636	\$220,220	\$ 97,201

NOTE 7: CAPITAL LEASE

During 2005, the Village entered into a capital lease with First Bankers Corporation for the purchase of an International Water Tanker. The lease is for a period of 11 years and bears an annual interest rate of 4.625%. Payments will be made annually over 12 years. The following amounts were paid as a reduction of principal during the years ending December 31, 2007 and 2006: \$13,328 and 14,059.

The following is a schedule of the future minimum lease payments under the capital lease at December 31, 2007:

Year ending December 31:	Amount
2008	\$ 21,910
2009	21,910
2010	21,910
2011	21,910
2012	21,910
2013-2016	87,641
Total Minimum Lease Payments	197,191
Less: Amount Representing Interest	42,118
Net Present Value of Future Minimum Lease Payments	\$ 155,073

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 8: RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2007, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their wages. In 2007 and 2006, the Village contributed an amount equal to 13.85% and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village's enterprise fund account for the provision of water, waste water, electric, and utility deposits. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the Village of Beach City as of and for the years ending December 31, 2007 and 2006:

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**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

2007 SEGMENT INFORMATION

	Water	Sewer	Electric	Utility Deposit	Cemetery	Sewer Reserve	Total Enterprise
OPERATING CASH RECEIPTS:							
Charges For Services	\$ 213,270	\$ 294,419	\$ 1,414,608	\$ 0	\$ 9,395	\$ 0	\$ 1,931,692
Miscellaneous	0	0	0	0	3,860	0	3,860
<i>Total Operating Cash Receipts</i>	213,270	294,419	1,414,608	0	13,255	0	1,935,552
OPERATING CASH DISBURSEMENTS:							
Personal Services	57,219	108,347	165,802	0	9,441	0	340,809
Travel Transportation	276	583	205	0	0	0	1,064
Contractual Services	21,745	133,872	975,841	0	3,989	0	1,135,447
Supplies and Materials	96,079	34,334	27,631	0	919	0	158,963
Capital Outlay	18,340	77,520	222,875	0	4,533	0	323,268
<i>Total Operating Cash Disbursements</i>	193,659	354,656	1,392,354	0	18,882	0	1,959,551
<i>Operating income (loss)</i>	19,611	(60,237)	22,254	0	(5,627)	0	(23,999)
NON-OPERATING RECEIPTS (DISBURSEMENTS):							
Earnings on Investments	0	0	0	0	4,648	3,974	8,622
Sale of Fixed Assets	0	0	2,348	0	0	0	2,348
Miscellaneous	2,487	9,779	13,808	0	139	0	26,213
Redemption of Principal	(11,975)	(20,607)	(14,900)	0	0	0	(47,482)
Interest and Other Fiscal Charges	0	(62,203)	(17,234)	0	0	0	(79,437)
Other Financing Sources	6,577	0	0	6,564	0	0	13,141
Other Financing Uses	(112)	(959)	(510)	(6,753)	(180)	0	(8,514)
<i>Total Non-Operating Receipts (Disbursements), carried forward</i>	\$ (3,023)	\$ (73,990)	\$ (16,488)	\$ (189)	\$ 4,607	\$ 3,974	\$ (85,109)

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

2007 SEGMENT INFORMATION (Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Utility Deposit</u>	<u>Cemetery</u>	<u>Sewer Reserve</u>	<u>Total Enterprise</u>
<i>Total Non-Operating Receipts (Disbursements), brought forward</i>	<u>\$ (3,023)</u>	<u>\$ (73,990)</u>	<u>\$ (16,488)</u>	<u>\$ (189)</u>	<u>\$ 4,607</u>	<u>\$ 3,974</u>	<u>\$ (85,109)</u>
<i>Income (Loss) Before Interfund Transfers and Advances</i>	17,588	(134,229)	4,767	(189)	(1,019)	3,974	(109,108)
Advances-In	0	75,000	0	0	0	0	75,000
Advances-Out	<u>0</u>	<u>0</u>	<u>(75,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(75,000)</u>
Net Income (Loss)	17,588	(59,229)	(70,233)	(189)	(1,019)	3,974	(109,108)
BEGINNING FUND BALANCE, January 1	<u>34,988</u>	<u>128,043</u>	<u>972,638</u>	<u>26,183</u>	<u>45,835</u>	<u>90,857</u>	<u>1,298,544</u>
ENDING FUND BALANCE, December 31	<u>\$ 52,576</u>	<u>\$ 68,814</u>	<u>\$ 902,405</u>	<u>\$ 25,994</u>	<u>\$ 44,816</u>	<u>\$ 94,831</u>	<u>\$ 1,189,436</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

2006 SEGMENT INFORMATION

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Utility Deposit</u>	<u>Cemetery</u>	<u>Sewer Reserve</u>	<u>Total Enterprise</u>
OPERATING CASH RECEIPTS:							
Charges For Services	\$ 174,366	\$ 265,785	\$ 1,457,096	\$ 0	\$ 6,184	\$ 0	\$ 1,903,431
Miscellaneous	0	0	0	0	3,624	0	3,624
<i>Total Operating Cash Receipts</i>	<u>174,366</u>	<u>265,785</u>	<u>1,457,096</u>	<u>0</u>	<u>9,808</u>	<u>0</u>	<u>1,907,055</u>
OPERATING CASH DISBURSEMENTS:							
Personal Services	64,826	73,841	183,109	0	7,738	0	329,514
Travel Transportation	33	479	411	0	0	0	923
Contractual Services	29,185	126,202	1,055,324	0	6,455	0	1,217,166
Supplies and Materials	84,375	31,794	22,987	0	1,161	0	140,317
Capital Outlay	17,369	39,212	27,346	0	1,912	0	85,839
<i>Total Operating Cash Disbursements</i>	<u>195,788</u>	<u>271,528</u>	<u>1,289,177</u>	<u>0</u>	<u>17,266</u>	<u>0</u>	<u>1,773,759</u>
<i>Operating income (loss)</i>	(21,422)	(5,743)	167,919	0	(7,458)	0	133,296
NON-OPERATING RECEIPTS (DISBURSEMENTS):							
Intergovernmental Receipts	0	2,500	0	0	0	0	2,500
Earnings on Investments	0	0	104	0	2,808	3,809	6,721
Miscellaneous	2,225	9,805	9,846	0	0	0	21,876
Redemption of Principal	(5,987)	(19,732)	(5,988)	0	0	0	(31,707)
Interest and Other Fiscal Charges	0	(58,168)	0	0	0	0	(58,168)
Other Financing Sources	6,023	0	0	10,076	0	0	16,099
Other Financing Uses	(576)	(503)	(906)	(7,546)	(512)	0	(10,043)
<i>Total Non-Operating Receipts (Disbursements), carried forward</i>	<u>\$ 1,685</u>	<u>\$ (66,098)</u>	<u>\$ 3,056</u>	<u>\$ 2,530</u>	<u>\$ 2,296</u>	<u>\$ 3,809</u>	<u>\$ (52,722)</u>

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

2006 SEGMENT INFORMATION (Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Utility Deposit</u>	<u>Cemetery</u>	<u>Sewer Reserve</u>	<u>Total Enterprise</u>
<i>Total Non-Operating Receipts (Disbursements), brought forward</i>	<u>\$ 1,685</u>	<u>\$ (66,098)</u>	<u>\$ 3,056</u>	<u>\$ 2,530</u>	<u>\$ 2,296</u>	<u>\$ 3,809</u>	<u>\$ (52,722)</u>
Net Income (Loss)	(19,736)	(71,843)	170,973	2,530	(5,160)	3,809	80,574
BEGINNING FUND BALANCE, January 1	<u>54,724</u>	<u>199,886</u>	<u>801,665</u>	<u>23,653</u>	<u>50,994</u>	<u>87,048</u>	<u>1,217,970</u>
ENDING FUND BALANCE, December 31	<u><u>\$ 34,988</u></u>	<u><u>\$ 128,043</u></u>	<u><u>\$ 972,638</u></u>	<u><u>\$ 26,183</u></u>	<u><u>\$ 45,835</u></u>	<u><u>\$ 90,857</u></u>	<u><u>\$ 1,298,544</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

NOTE 10: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 11: JOINT VENTURES

LOGIC

The Village is a member of the Local Organized Governments in Cooperation (LOGIC) RED Center Operations, a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the Village, City of Massillon, Jackson Township, and the City of Canal Fulton, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is not dependent on the Village's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the Village. During 2007 and 2006, the Village made contributions of \$18,179.93 and \$18,425.33, respectively, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

OMEGA JV5

The Village of Beach City is a Financing Participant with an ownership percentage of .30 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007 and 2006 Beach City has met their debt coverage obligation.

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 11: JOINT VENTURES (Continued)

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

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

The Village's net investment to date in OMEGA JV5 was \$26,848 at December 31, 2007. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 12: JOINTLY GOVERNED ORGANIZATIONS

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

**VILLAGE OF BEACH CITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2007**

NOTE 12: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

NOTE 13: CONTINGENCIES

The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2007 and 2006.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

May 15, 2008

Mayor and Members of Council
Village of Beach City
105 E. Main Street
P.O. Box 695
Beach City, OH 44608

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

We have audited the financial statements of the Village of Beach City (the Village) as of and for the years ended December 31, 2006 and 2007, and have issued our report thereon dated May 15, 2008, wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected in the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above. 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 the management of the Village in a separate letter dated May 15, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village of Beach City in a separate letter dated May 15, 2008.

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

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BEACH CITY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2008**