

VILLAGE OF BEACH CITY

STARK COUNTY, OHIO

AGREED UPON PROCEDURES

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the Village of Beach City, Stark County, prepared by Charles E. Harris & Associates, Inc., for the period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 13, 2014

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VILLAGE OF BEACH CITY
STARK COUNTY
Agreed Upon Procedures
For the Years Ended December 31, 2013 and 2012

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Beach City
Stark County
105 East Main Street
Beach City, Ohio 44608

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Beach City (the Village) and the Auditor of State have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2013 and 2012, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2013 and December 31, 2012 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2012 beginning fund balances recorded in the Fund Cash Balance Statement to the December 31, 2011 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2013 beginning fund balances recorded in the Fund Cash Balance Statement to the December 31, 2012 balances in the Fund Cash Balance Statement. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2013 and 2012 fund cash balances reported in the Fund Cash Balance Statement. The amounts agreed.
4. We observed the year-end bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2013 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 bank reconciliation:
 - a. We traced each debit to the financial institution's website. We found no exceptions.
 - b. We traced the amounts and dates to the check register to determine the debits were dated prior to December 31. We noted no exceptions.

6. We tested investments held at December 31, 2013 and December 31, 2012 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes and Intergovernmental Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2013 and one from 2012:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Statement Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Statement Report to determine whether it included two real estate tax receipts for 2013 and 2012. We noted the Revenue Statement Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2013 and five from 2012. We also selected five receipts from the County Auditor's Vendor Payments by Vendor Number Report from 2013 and five from 2012.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Statement Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

1. We compared the allocation of income tax receipts for the years ended December 31, 2013 and 2012 to the Village's funds according to the allocation requirements of the Motion passed on July 17, 2000. The allocation agreed with the percentages the Motion requires, with the exception that 25% should be allocated for Trash collections, but was being allocated to the Street Fund. The Village has adjusted \$38,807 from the Street Fund to the General Fund.
2. We selected five income tax returns filed during 2013 and five from 2012.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the deposit slip. The amounts agreed.
 - b. We compared the deposit slip total from step a. to the amount recorded as income tax receipts in the Income Tax Cash Receipt Ledger for that date and the total from the Income Tax Cash Receipt Ledger to the Revenue Statement Report for that month. The amounts agreed.
3. We determined whether the receipts were recorded in the year received. We found no exceptions.

4. We selected five income tax refunds from 2013 and all of the income tax refunds from 2012.
 - a. We compared the refund paid from Check Register Report to the refund amount requested in the tax return. The amounts agreed.
 - b. We noted each of the refunds were approved by the Clerk Treasurer.
 - c. We noted the refunds were paid from the General Fund. However, the refunds should have been paid based on the allocation set forth in the Motion discussed in Step 1.

Water, Sewer and Electric Funds

1. We haphazardly selected 10 Water, Sewer and Electric Fund collection cash receipts from the year ended December 31, 2013 and 10 Water, Sewer and Electric Fund collection cash receipts from the year ended December 31, 2012 recorded in the Daily Cash Receipts Journal and determined whether the:
 - a. Receipt amount per the Daily Cash Receipt Journal agreed to the amount recorded to the credit of the customer's account in the Billing Journal. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Billing Journal for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Receipt was posted to the proper funds and was recorded in the year received. We found no exceptions.
2. We read the Customer History Report.
 - a. We noted this report listed \$51,952 and \$162,215 of accounts receivable as of December 31, 2013 and 2012, respectively.
 - b. We attempted to obtain an Aged Customer Turn Off Report. However, due to the failure to run a proper year end backup, the Village was unable to provide an Aged Customer Turn Off Report as of December 31, 2013 and 2012. Therefore, we were unable to determine the amounts recorded as more than 90 days delinquent as of December 31, 2013 and 2012. As of the date of this report, the Aged Customer Turn Off Report showed \$41,952 recorded as more than 90 days delinquent.
3. We read the Daily Cash Receipts Journal.
 - a. We noted this report listed a total of \$4,915 and \$1,697 non-cash receipts adjustments for the years ended December 31, 2013 and 2012, respectively.
 - b. We selected five non-cash adjustments from 2013 and five non-cash adjustments from 2012, and attempted to verify that the Village Administrator approved each adjustment. However, the Village was unable to provide documentation showing written approval for each non-cash adjustment.

Debt

1. From the prior audit documentation, we noted the following bonds and loans outstanding as of December 31, 2011. These amounts agreed to the Village's January 1, 2012 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2011:
Sewer System Mortgage Revenue Bonds	\$1,380,400
OPWC Loans	\$157,079
USDA Loans	\$23,000

2. We inquired of management, and scanned the Revenue Statement Report and Expense Statement Report for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of bonded debt activity for 2013 and 2012 and agreed principal and interest payments from the related debt amortization schedules to enterprise fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 from the Payroll Summary Journal and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Summary Journal to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the employee's personnel file and minute records was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Departments and funds to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2013 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2013. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2014	December 31, 2013	\$2,182.45	\$2,182.45
State income taxes	January 31, 2014	December 30, 2013	\$915.23	\$915.23
Village of Beach City income taxes	January 31, 2014	January 28, 2014	\$154.90	\$154.90
OPERS retirement	January 30, 2014	January 10, 2014	\$10,190.50	\$10,190.50

4. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Payroll Summary Journal:
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Village's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Check Register Report for the year ended December 31, 2013 and ten from the year ended 2012 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Check Register Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found one instance where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Statement Report for the General, Fire Levy and Water funds for the years ended December 31, 2013 and 2012. The amounts on the *Certificate* agreed to the amount recorded in the accounting system for 2012. For 2013, the Revenue Statement Report recorded budgeted (i.e. certified) resources for the General fund of \$142,979, the Fire Levy fund of \$114,488 and the Water fund of \$235,000. However, the final *Amended Official Certificate of Estimated Resources* reflected \$147,655 in the General fund, \$125,962 in the Fire Levy fund and \$236,347 in the Water fund. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Fire Levy and Water funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Expense Statement Report for 2013 and 2012 for the following funds: General, Fire Levy and Water. The amounts on the appropriation resolutions agreed to the amounts recorded in the Expense Statement Report for 2013. For 2012, the Expense Statement Report showed appropriations for the General fund of \$152,864, the Fire Levy fund of \$131,824 and the Water fund of \$426,587. However, the appropriation resolutions reflected \$151,470 for the General fund, \$129,108 for the Fire Levy fund and \$415,086 for the Water fund. The Fiscal Officer should periodically compare amounts recorded in the Expense Statement Report to the amounts recorded on appropriations resolutions to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Fire Levy and Water funds for the years ended December 31, 2013 and 2012. We noted that appropriations exceeded certified resources by \$1,394 in the General Fund, by \$2,176 in the Fire Levy fund and by \$11,502 in the Water fund for 2012, contrary to Ohio Rev. Code Section 5705.39. Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2013 and 2012 for the General, Fire Levy and Water fund, as recorded in the Expense Statement Report. We noted no funds for which expenditures exceeded appropriations.

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue Statement Report for evidence of new restricted receipts requiring a new fund during December 31, 2013 and 2012. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2013 and 2012 Revenue Statement Reports and Expense Statement Reports for evidence of interfund transfers exceeding \$500 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Expense Statement Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2013 and 2012 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Expense Statement Report for the years ended December 31, 2013 and 2012 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Compliance – American Municipal Power Joint Venture Debt Covenant Requirements

The Village is a member of Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Section 17(A) of the Joint Venture Agreement requires the Village's Electric Utility receipts, as defined, to be at least 110% of its OMEGA JV5 operating & maintenance plus debt service charges, as defined.

Using information from the Village's unadjusted receipts and disbursements ledger, we calculated the cash basis debt coverage for its OMEGA JV5 for the years ended December 31, 2013 and 2012.

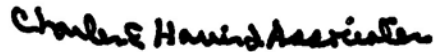
For the year ended December 31, 2013, the ratio of the Village's Electric Utility receipts to OMEGA JV5 debt service disbursements was 0.12, thus not meeting the Village's debt covenant obligation of 1.10 times set forth in Section 17(A) of the Joint Venture Agreement.

For the year ended December 31, 2012, this ratio was 1.96, meeting the Village's debt covenant obligation.

Exhibit JV5 presents the supporting calculations.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, the Auditor of State, and others within the Village and is not intended to be, and should not be used by anyone other than these specified parties.



Charles E. Harris & Associates, Inc.

April 7, 2014

AMP Ohio JV5 Revenue Coverage Calculation
ELECTRIC FUND
Village of Beach City - Stark County
Basis of Accounting: Cash

UNAUDITED
Year
2013

Statement of Revenues, Expenses and Changes in Fund Balances

Operating Revenues		
Charges for Services	\$	1,027,108
Total Operating Revenues	\$	<u>1,027,108</u>
Operating Expenses		
Personal Services	\$	182,371
Purchased Power AMP-Ohio/Contractual Services	\$	813,989
Materials & Supplies	\$	27,016
Total Operating Expenses	\$	<u>1,023,376</u>
Total Operating Income	\$	<u><u>3,732</u></u>
Nonoperating Income/Expenses		
Non Operating Income	\$	27,181
Non Operating Expenses	\$	(49,692)
Net Nonoperating Revenue	\$	<u>(22,511)</u>
Fund Balance - January 1	\$	1,305,659
Fund Balance - December 31	\$	<u><u>1,286,880</u></u>

Calculation of Debt Coverage:

JV5		
1 Operating Income (From Above)	\$	<u>3,732</u>
2 Add: JV5 Debt Service (If included above as Operating Expense)	\$	-
3 JV2 Debt Service (If included above as Operating Expense)	\$	-
4 Other Electric System Debt Service (If included above as Operating Expense)	\$	-
5 Depreciation	\$	-
6 kWh Tax from General Fund Included in either Transfers In or Operating Income	\$	<u>-</u>
7 Adjusted Operating Income Available for Debt Service (L1+L2+L3+L4+L5+L6)	\$	<u><u>3,732</u></u>
8 Debt: Omega JV5 Debt Service	\$	32,070
9 OMEGA JV2 Debt Service	\$	-
10 Other Electric System Debt Service	\$	<u>-</u>
11 Total Electric System Debt (L8+L9+L10)	\$	<u><u>32,070</u></u>
12 Coverage (JV5 Covenants require 110% or 1.1 times coverage of all debt) (L7/L11)		<u><u>0.11637044</u></u>

**AMP Ohio JV5 Revenue Coverage Calculation
ELECTRIC FUND
Village of Beach City - Stark County
Basis of Accounting: Cash**

UNAUDITED
Year
2012

Statement of Revenues, Expenses and Changes in Fund Balances

Operating Revenues		
Charges for Services		\$ 1,112,660
	Total Operating Revenues	\$ 1,112,660
Operating Expenses		
Personal Services		\$ 188,064
Purchased Power AMP-Ohio/Contractual Services		\$ 838,954
Materials & Supplies		\$ 20,846
	Total Operating Expenses	\$ 1,047,864
	Total Operating Income	\$ 64,796
Nonoperating Income/Expenses		
Non Operating Income		\$ 61,473
Non Operating Expenses		\$ (41,343)
Net Nonoperating Revenue		\$ 20,130
Fund Balance - January 1		\$ 1,220,733
Fund Balance - December 31		\$ 1,305,659

Calculation of Debt Coverage:

JV5		
1 Operating Income (From Above)		\$ 64,796
2 Add: JV5 Debt Service (If included above as Operating Expense)		\$ -
3 JV2 Debt Service (If included above as Operating Expense)		\$ -
4 Other Electric System Debt Service (If included above as Operating Expense)		\$ -
5 Depreciation		\$ -
6 kWh Tax from General Fund Included in either Transfers In or Operating Income		\$ -
7 Adjusted Operating Income Available for Debt Service (L1+L2+L3+L4+L5+L6)		\$ 64,796
8 Debt: Omega JV5 Debt Service		\$ 32,088
9 OMEGA JV2 Debt Service		\$ -
10 Other Electric System Debt Service		\$ 988
11 Total Electric System Debt (L8+L9+L10)		\$ 33,075
12 Coverage (JV5 Covenants require 110% or 1.1 times coverage of all debt) (L7/L11)		1.95903549

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Dave Yost • 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
JUNE 26, 2014**