



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Beach City
Stark County
PO Box 695
105 Main Street E.
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) 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, 2015 and 2014, 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, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 beginning fund balances recorded in the Fund Cash Balance Statement – By Account # Report to the December 31, 2013 balances to documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Fund Cash Balance Statement – By Account # Report to the December 31, 2014 balances in the Fund Cash Balance Statement – By Account # Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Fund Cash Balance Statement – By Account # Reports. 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, 2015 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.

Cash and Investments – (Continued)

- 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, 2015 and December 31, 2014 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, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2015 and one from 2014:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Statement – By Account # Report. The amounts on the Statement agreed to the amount recorded on the Revenue Statement – By Account # Report, except for the General Fund in 2014. The Revenue Statement – By Account # Report recorded property tax receipts for the General Fund of \$11,467 for the August 2014 Settlement. However, the August 2014 Settlement reflected \$9,410.
 - 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 – By Account # Reports to determine whether it included two real estate tax receipts for 2015 and 2014. We noted the Revenue Statement – By Account # Reports included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2015 and five from 2014. We also selected five receipts from the Stark County Settlement Reports from 2015 and five from 2014.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Statement – By Account # 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, 2015 and 2014 to the Village's funds according to the allocation requirements of Ordinance No. 14-9. The allocation agreed with the percentages the Ordinance requires.
2. We selected five income tax returns filed during 2015 and five from 2014.
 - a. We compared the payment amount recorded on the tax return to the amount recorded on the Daily Batch Income Tax Payment Journal. The amounts agreed.

Income Tax Receipts – (Continued)

- b. We compared the Daily Batch Income Tax Payment Journal total from step a. to the Monthly Income Tax Deposit Listing Summary Report amount. The amounts agreed. We compared the Monthly Income Tax Deposit Listing Summary Report amount to the amount recorded as income tax receipts in the Revenue Statement – By Account # Report for that month. The amounts agreed.
4. We determined whether the receipts were recorded in the year received. We found no exceptions.
5. We selected five income tax refunds from 2015 and five from 2014.
 - a. We compared the refund paid from the 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 as is required.

Water, Sewer and Electric Fund

1. We haphazardly selected 10 Water, Sewer and Electric collection cash receipts from the year ended December 31, 2015 and 10 Water, Sewer and Electric collection cash receipts from the year ended 2014 recorded in the Daily Cash Receipts Journal and determined whether the:
 - a. Receipt amount per the Daily Cash Receipts Journal agreed to the amount recorded to the credit of the customer's account in the Customer Balance – By Account # Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Customer Balance – By Account # Report 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. We noted the Village could not provide documentation that the electric rates in force during 2015 and 2014 were approved by Council or the Board of Public Affairs.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We read the Aged Customer Turn Off – By Account # Report.
 - a. We noted this report listed \$97,102 and \$83,218 of accounts receivable as of December 31, 2015 and 2014, respectively.
 - b. Of the total receivables reported in the preceding step, \$9,021 and \$6,785 were recorded as more than 90 days delinquent.
3. We read the Daily Cash Receipts Journal – Annual Credit Batch Report.
 - a. We noted this report listed a total of (\$3,344) and (\$36,089) non-cash receipts adjustments for the years ended December 31, 2015 and 2014, respectively.
 - b. We selected five non-cash adjustments from 2015 and five non-cash adjustments from 2014, and noted that the Clerk-President approved each adjustment.

Debt

1. From the prior agreed-upon procedure documentation, we noted the following bonds, leases and loans outstanding as of December 31, 2013. These amounts agreed to the Villages January 1, 2014 balances on the summary we used in step 3, except for the Sewer System Mortgage Revenue Bonds, the First Banker's Lease, OPWC Loan # CS11D, OPWC Loan # CT063. The Schedule of Total Indebtedness for the Year Ended December 31, 2014 recorded principal outstanding as of January 1, 2014 of \$1,271,697, \$56,840, \$40,812, and \$3,862 for the Sewer System Mortgage Revenue Bonds, the First Banker's Lease, OPWC Loan # CS11D and OPWC Loan # CT063, respectively.

Issue	Principal outstanding as of December 31, 2013:
Sewer System Mortgage Revenue Bonds, Series 2005	\$1,342,000
First Banker's Lease (Pumper Truck)	\$86,587
OPWC Loan # CS03A	\$77,840
OPWC Loan # CS11D	\$43,079
OPWC Loan # CT063	\$4,248

2. We inquired of management, and scanned the Revenue Statement – By Account # Report and Expense Statement – By Account # Report for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. On March 4, 2014 and April 16, 2014, the Village entered into loans with the Apple Creek Banking Company for a fire truck and a police car in the amounts of \$110,000 and \$24,651, respectively. However, the summary we used in step 3 recorded the loans as principal outstanding as of January 1, 2014 rather than principal issued during the year.
3. We obtained a summary of bonds, leases and loans debt activity for 2015 and 2014 and agreed principal and interest payments from the related debt amortization schedules to the General, Fire Levy, Police Levy, Water and Sewer fund payments reported in the Expense Payment – By Account # Report. The payments agreed, except the First Banker's Lease for 2014. The amortization schedule recorded principal and interest payments of \$18,845 and \$3,065, respectively. However, the Expense Statement – By Account # Report recorded principal and interest payments of \$18,875 and 3,035, respectively. We also compared the date the debt service payments were due to the date the Village made the payments. We found the payment due on June 1, 2014 for the Sewer System Mortgage Revenue Bonds in the amount of \$77,535 was not paid until June 23, 2014. We found the payments due on January 1, 2014 for OPWC Loan # CS03A, # CS11D, # CT063 in the amounts of \$5,988, \$2,267 and \$386, respectively, were not paid until January 23, 2014. We found the payments due on January 1, 2015 for OPWC Loan # CS03A, # CS11D, # CT063 in the amounts of \$5,988, \$2,267 and \$386, respectively, were not paid until January 22, 2015.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Fire Levy and Police Levy funds per the Revenue Statement – By Account # Report. The amounts did not agree. On March 4, 2014 and April 16, 2014, the Village entered into loans with the Apple Creek Banking Company for a fire truck and a police car in the amounts of \$110,000 and \$24,651, respectively. However, the Village did not record the loan proceeds in the Revenue Statement – By Account # Report.

Debt – (Continued)

5. For new debt issued during 2014, we inspected the debt legislation, noting the Village must use the proceeds to purchase a fire truck and police car. We scanned the Expense Statement – By Account # Report and noted the Village did not record the purchase of the fire truck or police car. The loan agreements indicate the loan proceeds were paid directly to Burgess Ambulance Sales, Inc. and Liberty Ford.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2015 and one payroll check for five employees from 2014 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. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 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 2015. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2016	December 30, 2015	\$2,186.48	\$2,186.48
State income taxes	January 15, 2016	January 11, 2016	\$1,128.65	\$1,128.65
Village of Beach City income taxes	January 31, 2016	December 29, 2015	\$162.55	\$162.55
OPERS retirement	January 30, 2016	January 8, 2016	\$8,451.20	\$8,451.20

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Check Register Report for the year ended December 31, 2015 and ten from the year ended 2014 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 no exceptions.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Official Certificate of Estimated Resources* for 2015 and the final *Amended Official Certificate of Estimated Resources* for 2014, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Statement – By Account # Report for the General, Water and Electric funds for the years ended December 31, 2015 and 2014. The amounts on the *Official Certificate of Estimated Resources* and final *Amended Official Certificate of Estimated Resources* agreed to the amount recorded in the accounting system, except for the General Fund. The Revenue Statement – By Account # Report recorded budgeted (i.e. certified) resources for the General fund of \$177,404 and \$149,214 for 2015 and 2014, respectively. However, the *Official Certificate of Estimated Resources* and the final *Amended Official Certificate of Estimated Resources* reflected \$175,786 and \$193,273 for 2015 and 2014, respectively. The fiscal officer should periodically compare amounts recorded in the Revenue Statement – By Account # Report to amounts recorded on the *Official Certificate of Estimated Resources* and the final *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 2015 and 2014 to determine whether, for the General, Water and Electric 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 – By Account # Report for 2015 and 2014 for the following funds: General, Water and Electric. The amounts on the appropriation resolutions agreed to the amounts recorded in the Expense Statement – By Account # Report.
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, Water and Electric funds for the years ended December 31, 2015 and 2014. We noted no funds for which appropriations exceeded certified resources.
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, 2015 and 2014 for the General, Water and Electric fund, as recorded in the Expense Statement – By Account # 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 – By Account # Report for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. 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 2015 and 2014 Revenue Statement – By Account # Reports and the Expense Statement – By Account # Reports for evidence of interfund transfers exceeding \$100 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We noted the Village transferred \$38,807 from the Street Fund to the General Fund. Ohio Rev. Code Section 5705.16 does not permit this transfer without approval of the Tax Commissioner and the Court of Common Pleas. However, the transfer was to correct an error noted in the prior year Agreed-Upon Procedures. Therefore, no exception will be taken.

Compliance – Budgetary – (Continued)

8. We inquired of management and scanned the Expense Statement – By Account # 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 Fund Cash Balance Statement – By Account # Report for the years ended December 31, 2015 and 2014 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 – By Account # Report for the years ended December 31, 2015 and 2014 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

1. 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, 2015 and 2014.

For the years ended December 31, 2015 and 2014, the ratio of the Village's Electric Utility receipts to OMEGA JV5 debt service disbursements was (2.2600) and 0.9038, respectively, not meeting the Village's debt covenant obligation of 1.10 times set forth in Section 17(A) of the Joint Venture Agreement.

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, Village Council, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 6, 2016

**AMP Ohio JV 5 Revenue Coverage Calculation
ELECTRIC FUND
Village of Beach City
Basis Of Accounting - Cash**

Statement of Revenues, Expenses and Changes in Fund Balances-- Operating Fund

	Year 2015
Operating Revenues	
Charges for Services	\$ 1,009,765
Total Operating Revenues	<u>\$ 1,009,765</u>
Operating Expenses	
Personal Services	\$ 261,662
Purchased Power AMP-Ohio (Including Gorsuch/JV5/JV2 Debt Service if recorded with Purch Pwr)	\$ 651,253
Other Purchased Power Expenses	\$ 137,035
Depreciation (GAAP) / Capital outlay (cash basis)	\$ 68,683
<u>Generation Expenses</u>	
Fuel Expense	\$ 737
Materials & Supplies	\$ 17,469
Total Operating Expenses	<u>\$ 1,136,839</u>
Total Operating Income	<u>\$ (127,074)</u>
Nonoperating Income/Expenses	
Non Operating Income	\$ 58,234
Non Operating Expenses	\$ (27,846)
Net Nonoperating Revenue	<u>\$ 30,388</u>
Fund Balance - January 1	\$ 1,079,454
Fund Balance - December 31	\$ 982,768
 <u>JV5</u>	
1. Operating Income (From Above)	<u>\$ (127,074)</u>
5. Add back: Depreciation (GAAP) / Capital outlay (cash basis)	<u>\$ 68,683</u>
7. Adjusted Operating Income Available for Debt Service	<u>\$ (58,391)</u>
8. Debt: Omega JV5 Debt Service	\$ 25,837
11. Total Electric System Debt Service(L8+L9+L10)	<u>\$ 25,837</u>
12. Coverage (JV5 Covenants require 110% or 1.1 times coverage of all debt) (L7/L11)	<u>(2.2600)</u>
 <u>JV2</u>	
15. Beginning of year Cash and Cash Equivalent s	\$ 1,079,454
17. Total Other Funds Available for Debt Service	<u>\$ 1,079,454</u>
18. Coverage (JV2 Covenants require 110% or 1.1 times coverage of all debt)	<u>39.5194</u>
 Note: The Fund Balance in a cash basis system is the Cash Balance.	
1 Months Revenues (Average) [equals charges for services / 12]	\$ 84,147
Fund Balance	\$ 982,768
Months of Electric Fund Balance "in reserve" (i.e. on hand)	11.7

**AMP Ohio JV 5 Revenue Coverage Calculation
ELECTRIC FUND
Village of Beach City
Basis Of Accounting - Cash**

Statement of Revenues, Expenses and Changes in Fund Balances-- Operating Fund

	Year 2014
Operating Revenues	
Charges for Services	\$ 1,078,486
Total Operating Revenues	\$ 1,078,486
Operating Expenses	
Personal Services	\$ 166,883
Purchased Power AMP-Ohio (Including Gorsuch/JV5/JV2 Debt Service if recorded with Purch Pwr)	\$ 699,389
Other Purchased Power Expenses	\$ 168,491
Depreciation (GAAP) / Capital outlay (cash basis)	\$ 225,332
<u>Generation Expenses</u>	
Fuel Expense	\$ 934
Materials & Supplies	\$ 13,790
Total Operating Expenses	\$ 1,274,819
Total Operating Income	\$ (196,333)
Nonoperating Income/Expenses	
Non Operating Income	\$ 25,681
Non Operating Expenses	\$ (36,774)
Net Nonoperating Revenue	\$ (11,093)
Fund Balance - January 1	\$ 1,286,880
Fund Balance - December 31	\$ 1,079,454
<u>JV5</u>	
1. Operating Income (From Above)	\$ (196,333)
5. Add back: Depreciation (GAAP) / Capital outlay (cash basis)	\$ 225,332
7. Adjusted Operating Income Available for Debt Service	\$ 28,999
8. Debt: Omega JV5 Debt Service	\$ 32,087
11. Total Electric System Debt Service(L8+L9+L10)	\$ 32,087
12. Coverage (JV5 Covenants require 110% or 1.1 times coverage of all debt) (L7/L11)	0.9038
<u>JV2</u>	
15. Beginning of year Cash and Cash Equivalents	\$ 1,286,880
17. Total Other Funds Available for Debt Service	\$ 1,286,880
18. Coverage (JV2 Covenants require 110% or 1.1 times coverage of all debt)	41.0097
Note: The Fund Balance in a cash basis system is the Cash Balance.	
1 Months Revenues (Average) [equals charges for services / 12]	\$ 89,874
Fund Balance	\$ 1,079,454
Months of Electric Fund Balance "in reserve" (i.e. on hand)	12.0



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
AUGUST 23, 2016