

VILLAGE OF BEACH CITY

STARK COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

Village Council
Village of Beach City
PO Box 695
Beach City, OH 44608

We have reviewed the *Independent Auditor's Report* of the Village of Beach City, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. 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.

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 "Dave Yost".

Dave Yost
Auditor of State

October 26, 2018

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VILLAGE OF BEACH CITY
STARK COUNTY, OHIO
Audit Report
For the years ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Village of Beach City
Stark County
P.O. Box 695
105 Main Street East
Beach City, Ohio 44608

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Beach City, Stark County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

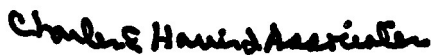
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Beach City, Stark County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 25, 2018

**Village of Beach City
Stark County**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 42,285	\$ 54,680	\$ -	\$ 96,965
Municipal Income Tax	80,998	32,142	15,428	128,568
Intergovernmental	31,821	66,037	-	97,858
Charges for Services	10	91,674	-	91,684
Fines, Licenses and Permits	614	-	-	614
Earnings on Investments	968	283	-	1,251
Miscellaneous	16,428	7,034	-	23,462
<i>Total Cash Receipts</i>	173,124	251,850	15,428	440,402
Cash Disbursements				
Current:				
Security of Persons and Property	80,049	123,252	-	203,301
Leisure Time Activities	5,736	-	-	5,736
Transportation	3,106	90,340	-	93,446
General Government	63,472	-	-	63,472
Capital Outlay	2,812	90,397	39,159	132,368
Debt Service:				
Principal Retirement	-	20,156	-	20,156
Interest and Fiscal Charges	-	4,803	-	4,803
<i>Total Cash Disbursements</i>	155,175	328,948	39,159	523,282
<i>Excess of Receipts Over (Under) Disbursements</i>	17,949	(77,098)	(23,731)	(82,880)
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	100	-	100
Proceeds of Loan	-	78,677	-	78,677
Advance In	-	2,000	18,000	20,000
Advance Out	-	(500)	(2,000)	(2,500)
Other Financing Sources	-	865	-	865
Other Financing Uses	(5,729)	(860)	-	(6,589)
<i>Total Other Financing Receipts (Disbursements)</i>	(5,729)	80,282	16,000	90,553
<i>Net Change in Fund Cash Balances</i>	12,220	3,184	(7,731)	7,673
<i>Fund Cash Balances, January 1</i>	8,034	58,441	14,012	80,487
Fund Cash Balances, December 31				
Restricted	-	61,625	-	61,625
Assigned	20,254	-	6,281	26,535
<i>Fund Cash Balances, December 31</i>	\$ 20,254	\$ 61,625	\$ 6,281	\$ 88,160

The notes to the financial statements are an integral part of this statement.

Village of Beach City
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 2,014,354
Miscellaneous	3,680
	2,018,034
<i>Total Operating Cash Receipts</i>	2,018,034
Operating Cash Disbursements	
Personal Services	455,439
Transportation	1,407
Contractual Services	1,156,319
Supplies and Materials	183,485
	1,796,650
<i>Total Operating Cash Disbursements</i>	1,796,650
<i>Operating Income (Loss)</i>	221,384
Non-Operating Receipts (Disbursements)	
Earnings on Investments	809
Sale of Notes	227,900
Sale of Capital Assets	3,603
Miscellaneous Receipts	23,600
Capital Outlay	(289,967)
Principal Retirement	(40,498)
Interest and Other Fiscal Charges	(81,855)
Other Financing Sources	6,323
Other Financing Uses	(10,311)
	(160,396)
<i>Total Non-Operating Receipts (Disbursements)</i>	(160,396)
<i>Income (Loss) before Advances</i>	60,988
Advances In	2,500
Advances Out	(20,000)
	43,488
<i>Net Change in Fund Cash Balances</i>	43,488
<i>Fund Cash Balances, January 1</i>	1,140,751
<i>Fund Cash Balances, December 31</i>	\$ 1,184,239

The notes to the financial statements are an integral part of this statement.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Beach City (the Village), Stark County, 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. A publicly-elected six-member Council directs the Village. The Village provides general government services, including water, sewer and electric utilities, park operations, cemetery operations, and police and fire services

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 6, 12 and 13 to the financial statements provides additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire & Police Levy Fund These funds receive tax levy money for the purpose of providing fire and police protection services to the citizens of the Village.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

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

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services 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.

Electric Improvement Fund This fund receives charges for services from residents for electric services. This fund has been established to provide for future capital projects relating to electric services.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,835	\$173,124	(\$37,711)
Special Revenue	343,405	333,492	(9,913)
Capital Projects	34,000	33,428	(572)
Enterprise	1,887,243	2,282,769	395,526

2017 Budgeted vs. Actual Budgetary Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$218,869	\$160,904	\$57,965
Special Revenue	401,805	330,308	71,497
Capital Projects	48,012	39,159	8,853
Enterprise	3,027,994	2,239,281	788,713

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	<u>2017</u>
Checking	\$ 208,772
Savings	<u>1,054,954</u>
Total deposits	1,263,726
STAR Ohio	<u>8,073</u>
Total investments	<u>8,073</u>
Total deposits and investments	<u><u>\$ 1,271,799</u></u>

The total deposits and investments excludes petty cash of \$600 which is included in the Village fund balance.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Income Taxes

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

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016 (the latest information available).

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (the latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members who are in local government service contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. OPERS members who are in public safety contributed 12% of their gross salaries and the Village contributed an amount equaling 18.1% of participants’ gross salaries. OPERS members who are in law enforcement contributed 13% of their gross salaries and the Village contributed an amount equality 18.10%. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Sewer System Mortgage Revenue Bonds	\$1,254,800	4.25%
OPWC Loans	281,285	0.00%
Apple Creek Bank - Fire	75,073	4.10%
Apple Creek Bank - Police	9,386	3.00%
Apple Creek Bank - Fire (2)	73,169	4.125%
Total	\$1,693,713	

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

Ohio Public Works Commission (OPWC) loan numbers CT063, CS03A and CS11D relate to a pumping station and water system improvement project that was mandated by the Ohio Environmental Projection Agency. The loans are collateralized by water and sewer receipts. The Village has agreed to set water and sewer rates sufficient to cover OPWC debt service requirements.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

OPWC loan CS01S, obtained in 2017, relates to the sewer lift station replacement project. This loan is collateralized by water and sewer receipts. The Village has agreed to set water and sewer rates sufficient to cover OPWC debt service requirements.

The Apple Creek Bank loans for Fire at 4.10% interest, and Police at 3.00% interest, were obtained to purchase vehicles for each department. The fire loan is paid bi-annually at the amount of \$6,792 and will be paid in full in the year 2024. The Police loan is also paid bi-annually at the amount of \$2,438 and will be paid for in the year 2019. Both loans are paid using income from levies issued by the Village.

The Apple Creek Bank loan for Fire (2) at 4.125% interest was obtained in 2017 to purchase a used tanker truck for the fire department. This loan will be paid using income from a fire levy issued by the Village.

The Village is also a member of the OMEGA JV5 Joint Venture (Refer to Note 12). Beginning in 2009, 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.

Amortization

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

Year Ending December 31:	Mortgage Revenue Bonds	OPWC Loans	Apple Creek Bank Loan - Fire	Apple Creek Bank Loan - Police	Apple Creek Bank Loan - Fire (2)
2018	\$77,529	\$17,282	\$13,583	\$4,877	\$12,996
2019	77,500	16,510	13,583	4,877	12,996
2020	77,330	10,524	13,583	-	12,996
2021	77,520	4,535	13,583	-	12,996
2022	77,556	4,534	13,583	-	12,996
2023-2027	387,509	-	20,375	-	19,494
2028-2032	387,337	-	-	-	-
2033-2037	387,429	-	-	-	-
2038-2042	387,519	-	-	-	-
2043-2045	232,553	-	-	-	-
Total	<u>\$2,169,782</u>	<u>\$53,385</u>	<u>\$88,290</u>	<u>\$9,754</u>	<u>\$84,474</u>

The amortization above does not include OPWC loan #CS01S in the amount of \$227,900 as an amortization schedule was not available as of the date of this report.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Interfund Advances

In 2017, the Village loaned \$20,000 of Electric Fund money to the Capital Projects Fund (80%) and the Street Fund (20%). As of December 31, 2017, the amount outstanding was \$17,500, plus interest at a rate of 4.1%. The loan principal repayments are as follows:

Year ending		<u>Interfund Loan</u>
December 31:		
2018	\$	5,000
2019		5,000
2020		5,000
2021		<u>2,500</u>
Total	\$	<u><u>17,500</u></u>

Note 11 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Note 12 – Joint Ventures

Local Organized Governments in Cooperation (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 2017, the Village made contributions of \$20,841, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of OMEGA JV1 will be shared by the participants on a percentage basis. The OMEGA JV1 is managed by American Principal Power, Inc. (AMP) which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of OMEGA JV1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in OMEGA JV1 was \$1,760 at December 31, 2017. Complete financial statements for OMEGA JV1 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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For the Year Ended December 31, 2017

On November 21, 2017 OMEGA JV1 sold its assets to the City of Cuyahoga Falls, Ohio.

Ohio Municipal Electric Generation Agency Joint Venture 5 (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 OMEGA JV5. Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA 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.

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. Complete financial statements may be obtained from AMP-Inc.

The Agreement provides that the failure of any OMEGA 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 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting Participant's entitlement to Project Power, which together with the share of the other non-defaulting Participants, is equal to the defaulting Participant's ownership share of the Project, in kilowatts provided that the sum of any such increases shall not exceed, without consent of the non-defaulting Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting Participant's ownership share of the project prior to any such increases.

On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates (2016 Certificates) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$8,964 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 13 – Jointly Governed Organizations

Stark Council of Governments (SCOG)

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.

Stark County Regional Planning Commission (SCRPC)

The Village participates in the Stark County Regional Planning 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. 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.

Municipal Energy Services Agency (MEAS)

The Municipal Energy Services Agency (MEAS) 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 the 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.

Prairie State Energy Campus (PSEC)

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the "*PSEC Ownership Interest*") in the Prairie State Energy Campus ("*PSEC*"), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("*AMP 368 LLC*"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

Village of Beach City, Ohio
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Notes to the Financial Statements
For the Year Ended December 31, 2017

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “*Initial Prairie State Bonds*”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2017, AMP had \$1,552,270,000 aggregate principal amount of Prairie State Bonds.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the “*Prairie State Participants*”). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 398 kW or .11% of capacity and associated energy from the PSEC.

AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“*FirstEnergy*”) the Fremont Energy Center (“*AFEC*”), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “*90.69% Interest*”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the “*AFEC Power Sales Contract*”).

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “*AFEC Bonds*”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2017, \$508,465,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 510 kW or .11% of capacity and associated energy from the AFEC.

Village of Beach City, Ohio
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Notes to the Financial Statements
For the Year Ended December 31, 2017

Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “*Combined Hydroelectric Projects*”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the “*Combined Hydroelectric Bonds*”), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of December 31, 2017, \$2,150,625,294 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 400 kW or .19% of capacity and associated energy from the Combined Hydroelectric Projects.

Note 14 – American Municipal Power Generating Station Project (AMPGS)

The Village is a member of AMP and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s share was 1,126 kilowatts of a total 771,281 kilowatts, giving the Village a 0.15 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.

In February 2011, AMP filed a complaint against Bechtel Power Corporation stemming from the cancellation of the proposed AMPGS project. This litigation was settled in December 2016 and mutual releases of all claims was obtained.

The Village’s estimated share at March 31, 2014 of the impaired costs was \$89,588. Since March 31, 2014 the Village has made no payments to AMP toward its net impaired cost estimate. Also, since March 31, 2014, the Village’s allocation of additional costs incurred by the project is \$2,317 and interest expense incurred on AMP’s line of credit is \$4,441, resulting in a net impaired cost estimate at December 31, 2017 of \$96,346.

Village of Beach City, Ohio
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Notes to the Financial Statements
For the Year Ended December 31, 2017

The Village reduced its AMPGS obligation related to plant held for future use by \$5,548 during 2017, leaving a remaining balance of \$47,724 which includes accumulated interest costs partially offset by rental income.

The Village intends to absorb these costs.

Village of Beach City
Stark County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 47,557	\$ 54,910	\$ -	\$ 102,467
Municipal Income Tax	79,987	30,925	12,787	123,699
Intergovernmental	29,819	88,645	-	118,464
Charges for Services	27	65,991	-	66,018
Fines, Licenses and Permits	200	3,300	-	3,500
Earnings on Investments	855	338	-	1,193
Miscellaneous	18,675	8,471	-	27,146
<i>Total Cash Receipts</i>	177,120	252,580	12,787	442,487
Cash Disbursements				
Current:				
Security of Persons and Property	85,454	98,737	-	184,191
Leisure Time Activities	9,025	-	-	9,025
Transportation	5,713	83,202	-	88,915
General Government	72,050	-	-	72,050
Capital Outlay	990	29,403	950	31,343
Debt Service:				
Principal Retirement	-	34,951	-	34,951
Interest and Fiscal Charges	-	5,420	-	5,420
<i>Total Cash Disbursements</i>	173,232	251,713	950	425,895
<i>Excess of Receipts Over (Under) Disbursements</i>	3,888	867	11,837	16,592
Other Financing Receipts (Disbursements)				
Other Financing Sources	-	420	-	420
Other Financing Uses	(3,408)	(401)	-	(3,809)
<i>Total Other Financing Receipts (Disbursements)</i>	(3,408)	19	-	(3,389)
<i>Net Change in Fund Cash Balances</i>	480	886	11,837	13,203
<i>Fund Cash Balances, January 1</i>	7,554	57,555	2,175	67,284
Fund Cash Balances, December 31				
Restricted	-	58,441	-	58,441
Assigned	8,034	-	14,012	22,046
<i>Fund Cash Balances, December 31</i>	\$ 8,034	\$ 58,441	\$ 14,012	\$ 80,487

The notes to the financial statements are an integral part of this statement.

Vilage of Beach City
Stark County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,765,787
Miscellaneous	3,396
	1,769,183
 Operating Cash Disbursements	
Personal Services	475,137
Transportation	1,686
Contractual Services	1,100,422
Supplies and Materials	159,200
	1,736,445
 <i>Total Operating Cash Receipts</i>	 1,769,183
 <i>Total Operating Cash Disbursements</i>	 1,736,445
 <i>Operating Income (Loss)</i>	 32,738
 Non-Operating Receipts (Disbursements)	
Intergovernmental	6,500
Earnings on Investments	836
Sale of Capital Assets	150
Miscellaneous Receipts	26,950
Capital Outlay	(37,304)
Principal Retirement	(39,390)
Interest and Other Fiscal Charges	(82,349)
Other Financing Sources	8,354
Other Financing Uses	(10,177)
	(126,430)
 <i>Total Non-Operating Receipts (Disbursements)</i>	 (126,430)
 <i>Net Change in Fund Cash Balances</i>	 (93,692)
 <i>Fund Cash Balances, January 1</i>	 1,234,443
 <i>Fund Cash Balances, December 31</i>	 \$ 1,140,751

The notes to the financial statements are an integral part of this statement.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Beach City (the Village), Stark County, 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. A publicly-elected six-member Council directs the Village. The Village provides general government services, including water, sewer and electric utilities, park operations, cemetery operations, and police and fire services

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 6, 11 and 12 to the financial statements provides additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire & Police Levy Fund These funds receive tax levy money for the purpose of providing fire and police protection services to the citizens of the Village.

Village of Beach City, Ohio
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Notes to the Financial Statements
For the Year Ended December 31, 2016

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

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

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services 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.

Electric Improvement Fund This fund receives charges for services from residents for electric services. This fund has been established to provide for future capital projects relating to electric services.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Beach City, Ohio
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Notes to the Financial Statements
For the Year Ended December 31, 2016

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$209,903	\$177,120	(\$32,783)
Special Revenue	285,814	253,000	(32,814)
Capital Projects	13,000	12,787	(213)
Enterprise	1,705,215	1,811,973	106,758

2016 Budgeted vs. Actual Budgetary Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$217,457	\$176,640	\$40,817
Special Revenue	343,269	252,114	91,155
Capital Projects	15,175	950	14,225
Enterprise	2,939,658	1,905,665	1,033,993

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

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

	<u>2016</u>
Checking	\$ 158,435
Savings	<u>1,054,215</u>
Total deposits	1,212,650
STAR Ohio	<u>7,988</u>
Total investments	<u>7,988</u>
Total deposits and investments	<u><u>\$ 1,220,638</u></u>

The total deposits and investments excludes petty cash of \$600 which is included in the Village fund balance.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Income Taxes

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

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

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members who are in local government service contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. OPERS members who are in public safety contributed 12% of their gross salaries and the Village contributed an amount equaling 18.1% of participants’ gross salaries. OPERS members who are in law enforcement contributed 13% of their gross salaries and the Village contributed an amount equality 18.10%. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Sewer System Mortgage Revenue Bonds	\$1,278,000	4.25%
OPWC Loans	70,668	0.00%
Apple Creek Bank - Fire	85,246	4.10%
Apple Creek Bank - Police	13,876	3.00%
Total	\$1,447,790	

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

Ohio Public Works Commission (OPWC) loan numbers CT063, CS03A and CS11D relate to a pumping station and water system improvement project that was mandated by the Ohio Environmental Projection Agency. The loans are collateralized by water and sewer receipts. The Village has agreed to set water and sewer rates sufficient to cover OPWC debt service requirements.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Apple Creek Bank loans for Fire at 4.10% interest, and Police at 3.00% interest, were obtained to purchase vehicles for each department. The fire loan is paid bi-annually at the amount of \$6,792 and will be paid in full in the year 2024. The Police loan is also paid bi-annually at the amount of \$2,438 and will be paid for in the year 2019. Both loans are paid using income from levies issued by the Village.

The Village is also a member of the OMEGA JV5 Joint Venture (Refer to Note 11). Beginning in 2009, 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.

Leases

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 4.65%. Payments are made annually over 12 years. The Village disbursed \$20,837 to pay for lease costs for the year ended December 31, 2016. Lease payments ended in 2016.

Amortization

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

Year Ending December 31:	Mortgage Revenue Bonds	OPWC Loans	Apple Creek Bank Loan - Fire	Apple Creek Bank Loan - Police
2017	\$77,515	\$17,282	\$13,583	\$4,877
2018	77,529	17,282	13,583	4,877
2019	77,500	16,510	13,583	4,877
2020	77,330	10,524	13,583	-
2021	77,520	4,535	13,585	-
2022-2026	387,514	4,535	33,958	-
2027-2031	387,467	-	-	-
2032-2036	387,333	-	-	-
2037-2041	387,548	-	-	-
2042-2045	310,041	-	-	-
Total	<u>\$2,247,297</u>	<u>\$70,668</u>	<u>\$101,875</u>	<u>\$14,631</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Joint Ventures

Local Organized Governments in Cooperation (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 2016, the Village made contributions of \$21,662, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of OMEGA JV1 will be shared by the participants on a percentage basis. The OMEGA JV1 is managed by American Municipal Power, Inc. (AMP) which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of OMEGA JV1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in OMEGA JV1 was \$1,927 at December 31, 2016. Complete financial statements for OMEGA JV1 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Ohio Municipal Electric Generation Agency Joint Venture 5 (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 OMEGA JV5. Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA 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.

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.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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, 2016, Brewster has met their debt coverage obligation.

The Agreement provides that the failure of any OMEGA 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 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting Participant's entitlement to Project Power, which together with the share of the other non-defaulting Participants, is equal to the defaulting Participant's ownership share of the Project, in kilowatts provided that the sum of any such increases shall not exceed, without consent of the non-defaulting Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting Participant's ownership share of the project prior to any such increases.

On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates (2016 Certificates) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$8,964 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 12 – Jointly Governed Organizations

Stark Council of Governments (SCOG)

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, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Stark County Regional Planning Commission (SCRPC)

The Village participates in the Stark County Regional Planning 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. 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.

Municipal Energy Services Agency (MEAS)

The Municipal Energy Services Agency (MEAS) 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 the 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.

Prairie State Energy Campus (PSEC)

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “*PSEC Ownership Interest*”) in the Prairie State Energy Campus (“*PSEC*”), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (“*AMP 368 LLC*”). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “*Initial Prairie State Bonds*”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2016, AMP had \$1,576,845,000 aggregate principal amount of Prairie State Bonds.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the “*Prairie State Participants*”). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 398 kW or .11% of capacity and associated energy from the PSEC.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

AMP Fremont Energy Center (AFEC)

On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation (“FirstEnergy”) the Fremont Energy Center (“AFEC”), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the “90.69% Interest”) is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the “AFEC Power Sales Contract”).

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the “AFEC Bonds”), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2016, \$520,620,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 510 kW or .11% of capacity and associated energy from the AFEC.

Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “*Combined Hydroelectric Projects*”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the “*Combined Hydroelectric Bonds*”), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of December 31, 2016, \$2,175,339,706 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 400 kW or .19% of capacity and associated energy from the Combined Hydroelectric Projects.

Note 13 – American Municipal Power Generating Station Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s share was 1,126 kilowatts of a total 771,281 kilowatts, giving the Village a .15 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The Village’s estimated share at March 31, 2014, of the impaired costs is \$89,588. The Village received a credit of \$54,806 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$51,268 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). In addition, the Village made no payments leaving an estimated net impaired cost balance of \$89,588. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village’s net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participant’s meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant’s original project share in kW including the AMP General Fund’s project share.

Village of Beach City, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Since March 31, 2014 the Village has made no payments to AMP toward its net impaired cost estimate. Also, since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,960 and interest expense incurred on AMP's line of credit is \$2,651, resulting in a net impaired cost estimate at December 31, 2016 of \$94,199. The Village does have a potential PHFU liability of \$52,376 resulting in a net total potential liability of \$146,575, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include such negative items as property taxes as well as such positive items as revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to absorb these costs.

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*

Village of Beach City
Stark County
P.O. Box 695
105 Main Street East
Beach City, Ohio 44608

To the Village Council:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Beach City, Stark County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 25, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Village of Beach City

Stark County

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*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 we must report under *Government Auditing Standards*.

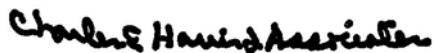
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 25, 2018.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

July 25, 2018

VILLAGE OF BEACH CITY
STARK COUNTY

Schedule of Findings
December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-001 - Material Weakness

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. During 2017 and 2016, the more significant misclassifications were as follows:

- Homestead and Rollback receipts were misclassified as Property Taxes revenue instead of Intergovernmental revenue in the General Fund and Special Revenue funds in the amounts of \$4,711 and \$11,427, respectively for 2017, and \$4,724 and \$11,476, respectively for 2016.
- During 2017, for some debt payments, principal and interest were not broken out properly.
- During 2017, the Village obtained a new OPWC loan and a loan for a new fire truck. The Village did not record a portion of the proceeds of the loans as well as the corresponding capital outlay.
- For 2017 and 2016, the Village reported a cemetery endowment fund as a permanent fund. Further investigation into the sources of revenues and restrictions on disbursements revealed that this fund is actually a special revenue fund. Further, the fund balance at year end was classified as Nonspendable rather than Restricted.
- For 2017 and 2016, the entire General Fund balance was classified Unassigned. However, the Village did not account for subsequent year appropriations over estimated receipts which resulted in an Assigned fund balance for the total balance in the fund.
- During 2017, the Village charged \$20,000 towards the purchase of a street vehicle to the Electric Fund. This expense was moved to the proper funds, and an advance was made from the Electric Fund to the Street and Capital Projects funds, which will repay the advance, plus interest, over the next 4 years in semi-annual installments of \$2,500, plus 4.1% interest.
- During 2017 and 2016, adjustments were necessary to correct various items in the footnotes.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use Governmental Accounting Standards Board (GASB) Statement No. 54, Auditor of State Bulletin 2011-004, the Village Officer's Handbook, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Managements' Response:

See Corrective Action Plan

VILLAGE OF BEACH CITY
STARK COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2017 and 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Management will refer to the recommended guidance to ensure accurate and proper posting of revenues, expenses and fund balance classifications in the future.	Immediately	Debra Rentsch, Clerk-Treasurer



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
NOVEMBER 13, 2018