

**Village of Beach City**  
*Audited Financial Statements*

*December 31, 2009 and 2008*





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Beach City  
105 East Main Street  
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 Rea & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. 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.

## **Finding for Recovery Repaid Under Audit**

The accounting firm's testing revealed for the fiscal year ended December 31, 2009 Lawrence Chapanar had a contract with the Village for a salary of \$6,500. However, per his 2009 W-2, the wages earned were \$6,857 resulting in an overpayment of \$357.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lawrence Chapanar in the amount of \$357 and in favor of the Village of Beach City's General Fund.

Based on check number 31872 dated March 16, 2010, the finding for recovery has been repaid to the Village of Beach City by deducting \$357 from Lawrence Chapanar's March 16, 2010 paycheck.

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

Village of Beach City  
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid, with the first letters of each word being capitalized and larger than the rest of the letters.

Mary Taylor, CPA  
Auditor of State

July 30, 2010

VILLAGE OF BEACH CITY  
STARK COUNTY

DECEMBER 31, 2009 AND 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types for the Year Ended December 31, 2009.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type for the Year Ended December 31, 2009 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types for the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type for the Year Ended December 31, 2008 .....	6
Notes to the Financial Statements.....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	27

**This Page is Intentionally Left Blank.**



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

April 1, 2010

Mayor and Members of Council  
Village of Beach City  
105 East Main Street  
Beach City, OH 44608

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Beach City, Stark County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Village of Beach City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2009. Instead of the combined funds the accompanying financial statements present for 2008 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2009. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2009, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Beach City, Stark County, Ohio as of December 31, 2008 and 2009, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2009. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Rea & Associates, Inc.*

VILLAGE OF BEACH CITY  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Special Revenue	Capital Projects	Permanent	Total
					(Memorandum Only)
<b>CASH RECEIPTS:</b>					
Property and other Local Taxes	\$ 90,365	\$ 80,280	\$ 5,791	\$ 0	\$ 176,436
Intergovernmental Revenue	52,864	48,909	0	0	101,773
Charges For Services	41	76,416	0	240	76,697
Fines, Licenses and Permits	1,285	0	0	0	1,285
Interest	5,626	569	0	293	6,488
Miscellaneous	18,703	236	0	0	18,939
<b>Total Cash Receipts</b>	<b>168,884</b>	<b>206,410</b>	<b>5,791</b>	<b>533</b>	<b>381,618</b>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons	106,681	93,778	0	0	200,459
Public Health Services	158	0	0	0	158
Leisure Time Activities	9,059	0	0	0	9,059
Community Environment	114	0	0	0	114
Transportation	10,099	66,254	0	0	76,353
General Government	58,195	0	0	0	58,195
Capital Outlay	769	4,770	8,812	0	14,351
Debt Service:					
Redemption of Principal	0	24,722	0	0	24,722
Interest and Other Finance Charges	0	9,618	0	0	9,618
<b>Total Cash Disbursements</b>	<b>185,075</b>	<b>199,142</b>	<b>8,812</b>	<b>0</b>	<b>393,029</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(16,191)</b>	<b>7,268</b>	<b>(3,021)</b>	<b>533</b>	<b>(11,411)</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Other Financing Sources	0	171	0	0	171
Other Financing Uses	(2,927)	(3,264)	0	0	(6,191)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(2,927)</b>	<b>(3,093)</b>	<b>0</b>	<b>0</b>	<b>(6,020)</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(19,118)</b>	<b>4,175</b>	<b>(3,021)</b>	<b>533</b>	<b>(17,431)</b>
<b>FUND CASH BALANCES, January 1, 2009</b>	<b>30,404</b>	<b>42,186</b>	<b>8,678</b>	<b>30,897</b>	<b>112,165</b>
<b>FUND CASH BALANCES, December 31, 2009</b>	<b>\$ 11,286</b>	<b>\$ 46,361</b>	<b>\$ 5,657</b>	<b>\$ 31,430</b>	<b>\$ 94,734</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

VILLAGE OF BEACH CITY  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary
	Enterprise Funds
<b>OPERATING CASH RECEIPTS:</b>	
Charges for services	\$ 1,995,098
Other Operating Revenue	2,630
Total Operating Cash Receipts	1,997,728
<b>OPERATING CASH DISBURSEMENTS:</b>	
Personal services	426,021
Transportation	3,003
Contractual services	1,220,843
Material and supplies	143,876
Capital outlay	57,982
Total Operating Cash Disbursements	1,851,725
Operating Income	146,003
<b>NON-OPERATING CASH RECEIPTS:</b>	
Sale of Fixed Assets	6,589
Other non-operating revenues	29,897
Interest	4,262
Total Non-Operating Cash Receipts	40,748
<b>NON-OPERATING CASH DISBURSEMENTS:</b>	
Debt service:	
Principal retirement	39,145
Interest and fiscal charges	79,066
Other non-operating disbursements	9,497
Total Non-Operating Disbursements	127,708
Net Cash Receipts Over (Under) Cash Disbursements	59,043
FUND CASH BALANCES, January 1, 2009	1,316,245
FUND CASH BALANCES, December 31, 2009	\$ 1,375,288
RESERVE FOR ENCUMBRANCES	\$ 0

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

VILLAGE OF BEACH CITY  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Special Revenue	Capital Projects	Permanent	Total (Memorandum Only)
<b>CASH RECEIPTS:</b>					
Property and other Local Taxes	\$ 96,144	\$ 82,811	\$ 6,489	\$ 0	\$ 185,444
Intergovernmental Revenue	65,992	53,306	0	0	119,298
Charges For Services	5	67,561	0	120	67,686
Fines, Licenses and Permits	34	640	0	0	674
Interest	23,951	812	0	1,531	26,294
Miscellaneous	21,155	1,731	50	0	22,936
<b>Total Cash Receipts</b>	<b>207,281</b>	<b>206,861</b>	<b>6,539</b>	<b>1,651</b>	<b>422,332</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	88,774	102,982	0	0	191,756
Leisure Time Activities	7,711	0	0	0	7,711
Community Environment	114	0	0	0	114
Transportation	13,646	65,349	0	0	78,995
General Government	86,451	0	0	0	86,451
Capital Outlay	64,981	5,821	13,328	0	84,130
<b>Debt Service:</b>					
Redemption of Principal	0	23,009	0	0	23,009
Interest and Other Finance Charges	0	10,736	0	0	10,736
<b>Total Cash Disbursements</b>	<b>261,677</b>	<b>207,897</b>	<b>13,328</b>	<b>0</b>	<b>482,902</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(54,396)</b>	<b>(1,036)</b>	<b>(6,789)</b>	<b>1,651</b>	<b>(60,570)</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Other Financing Sources	0	55	0	0	55
Other Financing Uses	(3,551)	(625)	0	0	(4,176)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(3,551)</b>	<b>(570)</b>	<b>0</b>	<b>0</b>	<b>(4,121)</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(57,947)</b>	<b>(1,606)</b>	<b>(6,789)</b>	<b>1,651</b>	<b>(64,691)</b>
<b>FUND CASH BALANCES, January 1, 2008</b>	<b>88,351</b>	<b>43,792</b>	<b>15,467</b>	<b>29,246</b>	<b>176,856</b>
<b>FUND CASH BALANCES, December 31, 2008</b>	<b>\$ 30,404</b>	<b>\$ 42,186</b>	<b>\$ 8,678</b>	<b>\$ 30,897</b>	<b>\$ 112,165</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

VILLAGE OF BEACH CITY  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for services	\$ 1,954,499
Other Operating Revenue	1,474
Total Operating Cash Receipts	1,955,973
OPERATING CASH DISBURSEMENTS:	
Personal services	368,003
Transportation	1,310
Contractual services	1,115,263
Material and supplies	194,856
Capital outlay	63,526
Total Operating Cash Disbursements	1,742,958
Operating Income	213,015
NON-OPERATING CASH RECEIPTS:	
Sale of Fixed Assets	24,953
Other non-operating revenues	19,623
Interest	3,860
Total Non-Operating Cash Receipts	48,436
NON-OPERATING CASH DISBURSEMENTS:	
Debt service:	
Principal retirement	46,720
Interest and fiscal charges	80,078
Other non-operating disbursements	7,844
Total Non-Operating Disbursements	134,642
Net Cash Receipts Over (Under) Cash Disbursements	126,809
FUND CASH BALANCES, January 1, 2008	1,189,436
FUND CASH BALANCES, December 31, 2008	\$ 1,316,245
RESERVE FOR ENCUMBRANCES	\$ 0

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

The Village is associated with certain organizations which are defined as Joint Ventures and Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, *Reporting Entity*. These organizations are presented in Notes 11 and 12. These organizations include:

Joint Ventures

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

Jointly Governed Organizations

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

**B. Basis of Accounting**

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

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

**C. Cash Investments**

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

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

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

**General Fund**

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

**Special Revenue Funds**

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

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

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

**Capital Projects Fund**

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

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

**Enterprise Funds**

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

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

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

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

*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.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

Enterprise Funds (Continued)

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

Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

*Cemetery Endowment Fund* – This fund receives interest earned on the nonexpendable corpus from a trust agreement. This fund also receives charges for services from the sale of cemetery lots.

**E. Budgetary Process**

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2008</u>	<u>2009</u>
Demand Deposits	\$ 564,466	\$ 598,682
Certification of Deposits	213,845	219,446
Total Deposits	<u>778,311</u>	<u>818,128</u>
StarOhio	<u>650,099</u>	<u>651,894</u>
Total Deposits and investments	<u><u>\$1,428,410</u></u>	<u><u>\$1,470,022</u></u>

Deposits

At December 31, 2008, the carrying amount of the Village's deposits was \$778,311 and the bank balance was \$803,964. Of the bank balance, \$314,765 was covered by federal depository insurance. \$489,199 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. Although all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

At December 31, 2009, the carrying amount of the Village's deposits was \$818,128 and the bank balance was \$831,543. Of the bank balance, \$830,943 was covered by federal depository insurance. \$600 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. Although all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Investments

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 3: BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2009 and 2008 is as follows:

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 248,730	\$ 168,884	\$ (79,846)
Special Revenue	257,665	206,581	(51,084)
Capital Projects	16,678	5,791	(10,887)
Enterprise	3,210,767	2,038,476	(1,172,291)
Permanent	<u>130,820</u>	<u>533</u>	<u>(130,287)</u>
 Total	 <u>\$ 3,864,660</u>	 <u>\$ 2,420,265</u>	 <u>\$(1,444,395)</u>

2009 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 248,730	\$ 188,002	\$ 60,728
Special Revenue	257,665	203,006	54,659
Capital Projects	16,678	8,812	7,866
Enterprise	3,210,767	1,979,433	1,231,334
Permanent	<u>130,820</u>	<u>0</u>	<u>130,820</u>
 Total	 <u>\$ 3,864,660</u>	 <u>\$ 2,379,253</u>	 <u>\$ 1,485,407</u>

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 3: BUDGETARY ACTIVITY (Continued)**

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 303,378	\$ 207,281	\$ (96,097)
Special Revenue	242,015	206,916	(35,099)
Capital Projects	23,467	6,539	(16,928)
Enterprise	3,091,719	2,004,409	(1,087,310)
Permanent	<u>128,777</u>	<u>1,651</u>	<u>(127,126)</u>
Total	<u>\$ 3,789,356</u>	<u>\$ 2,426,796</u>	<u>\$(1,362,560)</u>

2008 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 303,378	\$ 265,228	\$ 38,150
Special Revenue	242,015	208,522	33,493
Capital Projects	23,467	13,328	10,139
Enterprise	3,091,719	1,887,600	1,204,119
Permanent	<u>128,777</u>	<u>0</u>	<u>128,777</u>
Total	<u>\$ 3,789,356</u>	<u>\$ 2,374,678</u>	<u>\$ 1,414,678</u>

**NOTE 4: PROPERTY TAX**

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

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

NOTE 4: PROPERTY TAX (Continued)

Tangible personal property tax received during calendar 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2009, on the value as of December 31, 2008. For 2008, tangible personal property is assessed at 6.25% for property including inventory. This percentage will be reduced to 0% for 2009. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Village prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2008-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTE 5: LOCAL INCOME TAX

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

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

NOTE 6: LONG-TERM DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	\$ 1,415,900	4.25%
OPWC Loans	194,297	0.00%
USDA Loans	<u>44,000</u>	4.50%
Total	<u>\$ 1,654,197</u>	

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

NOTE 6: LONG-TERM DEBT (Continued)

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	1,432,500	4.25%
OPWC Loans	202,938	0.00%
USDA Loans	<u>54,000</u>	4.50%
Total	<u>\$ 1,689,438</u>	

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

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

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

The Village is also a member of the OMEGA JV5 Joint Venture (Refer to Note 11) beginning in 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. The Village's share of the debt which was paid during 2009 was \$32,088 which consisted of \$13,903 of principal and \$18,185 of interest. The Village's share of the debt which was paid during 2008 was \$32,163 which consisted of \$13,638 of principal and \$18,525 of interest.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 6: LONG-TERM DEBT (Continued)**

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

Year ending December 31:	Sewer System		OPWC Loans		USDA Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$17,400	\$60,176	\$17,282	\$0	\$10,000	\$1,980	\$44,682	\$62,156
2011	18,100	59,436	17,282	0	11,000	1,530	46,382	60,966
2012	18,700	58,667	17,282	0	11,000	1,038	46,982	59,705
2013	19,700	57,872	17,282	0	12,000	540	48,982	58,412
2014	20,500	57,035	17,282	0	0	0	37,782	57,035
2015-2019	116,100	271,363	86,027	0	0	0	202,127	271,363
2020-2024	142,800	244,520	21,860	0	0	0	164,660	244,520
2025-2029	176,100	211,450	0	0	0	0	176,100	211,450
2030-2034	216,600	170,735	0	0	0	0	216,600	170,735
2035-2039	266,900	120,615	0	0	0	0	266,900	120,615
2040-2044	328,600	58,871	0	0	0	0	328,600	58,871
2045	74,400	3,162	0	0	0	0	74,400	3,162
<b>Total</b>	<b>\$1,415,900</b>	<b>\$1,373,902</b>	<b>\$194,297</b>	<b>\$0</b>	<b>\$44,000</b>	<b>\$5,088</b>	<b>\$1,654,197</b>	<b>\$1,378,990</b>

**NOTE 7: CAPITAL LEASE**

During 2005, the Village entered into a capital lease with First Bankers Corporation for the purchase of an International Water Tanker. The lease is for a period of 11 years and bears an annual interest rate of 4.625%. Payments will be made annually over 12 years. The following amounts were paid as a reduction of principal during the years ending December 31, 2009 and 2008: \$14,722 and 14,009, respectively.

The following is a schedule of the future minimum lease payments under the capital lease at December 31, 2009:

Year ending December 31:	Amount
2010	\$ 21,910
2011	21,910
2012	21,910
2013	21,910
2014	21,910
2015-2016	43,820
<b>Total Minimum Lease Payments</b>	<b>153,370</b>
<b>Less: Amount Representing Interest</b>	<b>27,028</b>
<b>Net Present Value of Future Minimum Lease Payments</b>	<b>\$ 126,342</b>

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

**NOTE 8: RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2009, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2009 and 2008, OPERS members contributed 10% of their wages. In 2009 and 2008, the Village contributed an amount equal to 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Village's enterprise fund account for the provision of water, waste water, electric, and utility deposits. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the Village of Beach City as of and for the years ending December 31, 2009 and 2008:

*This space is intentionally blank.*

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

2009 SEGMENT INFORMATION

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Utility Deposit</u>
<b>OPERATING CASH RECEIPTS:</b>				
Charges For Services	\$ 259,763	\$ 284,391	\$ 1,397,297	\$ 0
Miscellaneous	0	0	0	0
<i>Total Operating Cash Receipts</i>	<u>259,763</u>	<u>284,391</u>	<u>1,397,297</u>	<u>0</u>
 <b>OPERATING CASH DISBURSEMENTS:</b>				
Personal Services	84,537	82,304	250,141	0
Travel Transportation	466	206	2,331	0
Contractual Services	19,526	99,093	1,097,249	0
Supplies and Materials	92,394	17,351	32,094	0
Capital Outlay	7,991	1,408	46,277	0
<i>Total Operating Cash Disbursements</i>	<u>204,914</u>	<u>200,362</u>	<u>1,428,092</u>	<u>0</u>
 <i>Operating income (loss)</i>	 54,849	 84,029	 (30,795)	 0
 <b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>				
Earnings on Investments	0	0	0	0
Sale of Fixed Assets	0	0	6,589	0
Miscellaneous	1,648	2,341	15,942	0
Redemption of Principal	(2,267)	(22,974)	(13,904)	0
Interest and Other Fiscal Charges	0	(60,881)	(18,185)	0
Other Financing Sources	3,696	0	0	6,100
Other Financing Uses	(366)	(875)	(1,142)	(6,824)
 <i>Total Non-Operating Receipts (Disbursements), carried forward</i>	 <u>\$ 2,711</u>	 <u>\$ (82,389)</u>	 <u>\$ (10,700)</u>	 <u>\$ (724)</u>

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

2009 SEGMENT INFORMATION (CONTINUED)

	<u>Cemetery</u>	<u>Sewer Reserve</u>	<u>Electric Improvement</u>	<u>Total Enterprise</u>
<b>OPERATING CASH RECEIPTS:</b>				
Charges For Services	\$ 5,166	\$ 0	\$ 48,481	\$ 1,995,098
Miscellaneous	2,630	0	0	2,630
<i>Total Operating Cash Receipts</i>	<u>7,796</u>	<u>0</u>	<u>48,481</u>	<u>1,997,728</u>
<b>OPERATING CASH DISBURSEMENTS:</b>				
Personal Services	9,039	0	0	426,021
Travel Transportation	0	0	0	3,003
Contractual Services	4,975	0	0	1,220,843
Supplies and Materials	2,037	0	0	143,876
Capital Outlay	2,306	0	0	57,982
<i>Total Operating Cash Disbursements</i>	<u>18,357</u>	<u>0</u>	<u>0</u>	<u>1,851,725</u>
<i>Operating income (loss)</i>	(10,561)	0	48,481	146,003
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>				
Earnings on Investments	780	3,482	0	4,262
Sale of Fixed Assets	0	0	0	6,589
Miscellaneous	170	0	0	20,101
Redemption of Principal	0	0	0	(39,145)
Interest and Other Fiscal Charges	0	0	0	(79,066)
Other Financing Sources	0	0	0	9,796
Other Financing Uses	(290)	0	0	(9,497)
<i>Total Non-Operating Receipts (Disbursements), carried forward</i>	<u>\$ 660</u>	<u>\$ 3,482</u>	<u>\$ 0</u>	<u>\$ (86,960)</u>

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

2009 SEGMENT INFORMATION (Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Utility Deposit</u>
<i>Total Non-Operating Receipts (Disbursements), brought forward</i>	\$ 2,711	\$ (82,389)	\$ (10,965)	\$ (724)
Net Income (Loss)	57,560	1,640	(39,856)	(724)
BEGINNING FUND BALANCE, January 1, 2009	85,245	55,670	1,015,824	26,723
ENDING FUND BALANCE, December 31, 2009	\$ 142,805	\$ 57,310	\$ 975,968	\$ 25,999
Reserve for Encumbrances, December 31, 2009	\$ 0	\$ 0	\$ 0	\$ 0

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

2009 SEGMENT INFORMATION (Continued)

	<u>Cemetery</u>	<u>Sewer Reserve</u>	<u>Electric Improvement</u>	<u>Total Enterprise</u>
<i>Total Non-Operating Receipts (Disbursements), brought forward</i>	\$ 660	\$ 3,482	\$ 0	\$ (87,225)
Net Income (Loss)	(9,901)	3,482	48,481	59,043
BEGINNING FUND BALANCE, January 1, 2009	37,160	95,623	0	1,316,245
ENDING FUND BALANCE, December 31, 2009	\$ 27,259	\$ 99,105	\$ 48,481	\$ 1,375,288
Reserve for Encumbrances, December 31, 2009	\$ 0	\$ 0	\$ 0	\$ 0

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

2008 SEGMENT INFORMATION

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Utility Deposit</u>	<u>Cemetery</u>	<u>Sewer Reserve</u>	<u>Total Enterprise</u>
<b>OPERATING CASH RECEIPTS:</b>							
Charges For Services	\$ 256,776	\$ 298,347	\$ 1,390,032	\$ 0	\$ 9,344	\$ 0	\$ 1,954,499
Miscellaneous	0	0	0	0	1,474	0	1,474
<i>Total Operating Cash Receipts</i>	<u>256,776</u>	<u>298,347</u>	<u>1,390,032</u>	<u>0</u>	<u>10,818</u>	<u>0</u>	<u>1,955,973</u>
<b>OPERATING CASH DISBURSEMENTS:</b>							
Personal Services	81,263	81,961	193,246	0	11,533	0	368,003
Travel Transportation	242	286	782	0	0	0	1,310
Contractual Services	25,098	94,034	990,320	0	5,811	0	1,115,263
Supplies and Materials	97,073	43,965	51,019	0	2,799	0	194,856
Capital Outlay	14,089	8,562	39,533	0	1,342	0	63,526
<i>Total Operating Cash Disbursements</i>	<u>217,765</u>	<u>228,808</u>	<u>1,274,900</u>	<u>0</u>	<u>21,485</u>	<u>0</u>	<u>1,742,958</u>
<i>Operating income (loss)</i>	39,011	69,539	115,132	0	(10,667)	0	213,015
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>							
Earnings on Investments	0	0	0	0	3,068	792	3,860
Sale of Fixed Assets	0	0	24,953	0	0	0	24,953
Miscellaneous	2,602	330	6,578	0	12	0	9,522
Redemption of Principal	(11,975)	(21,107)	(13,638)	0	0	0	(46,720)
Interest and Other Fiscal Charges	0	(61,553)	(18,525)	0	0	0	(80,078)
Other Financing Sources	3,201	0	0	6,900	0	0	10,101
Other Financing Uses	(170)	(353)	(1,081)	(6,171)	(69)	0	(7,844)
<i>Total Non-Operating Receipts (Disbursements), carried forward</i>	<u>\$ (6,342)</u>	<u>\$ (82,683)</u>	<u>\$ (1,713)</u>	<u>\$ 729</u>	<u>\$ 3,011</u>	<u>\$ 792</u>	<u>\$ (86,206)</u>

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

2008 SEGMENT INFORMATION (Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Utility Deposit</u>	<u>Cemetery</u>	<u>Sewer Reserve</u>	<u>Total Enterprise</u>
<i>Total Non-Operating Receipts (Disbursements), brought forward</i>	\$ (6,342)	\$ (82,683)	\$ (1,713)	\$ 729	\$ 3,011	\$ 792	\$ (86,206)
Net Income (Loss)	32,669	(13,144)	113,419	729	(7,656)	792	126,809
BEGINNING FUND BALANCE, January 1, 2008	<u>52,576</u>	<u>68,814</u>	<u>902,405</u>	<u>25,994</u>	<u>44,816</u>	<u>94,831</u>	<u>1,189,436</u>
ENDING FUND BALANCE, December 31, 2008	<u>\$ 85,245</u>	<u>\$ 55,670</u>	<u>\$ 1,015,824</u>	<u>\$ 26,723</u>	<u>\$ 37,160</u>	<u>\$ 95,623</u>	<u>\$ 1,316,245</u>
Reserve for Encumbrances, December 31, 2008	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NOTE 10: RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

NOTE 11: JOINT VENTURES

LOGIC

The Village is a member of the Local Organized Governments in Cooperation (LOGIC) RED Center Operations, a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the Village, City of Massillon, Jackson Township, and the City of Canal Fulton, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is not dependent on the Village's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the Village. During 2009 and 2008, the Village made contributions of \$17,925 and \$18,421, respectively, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

OMEGA JV5

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009 and 2008 Beach City has met their debt coverage obligation.

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

NOTE 11: JOINT VENTURES (Continued)

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

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

The Village's net investment to date in OMEGA JV5 was \$26,877 at December 31, 2008, which is the latest information available. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

**NOTE 11: JOINT VENTURES (Continued)**

<b>Participant</b>	<b>Ownership and Entitlement</b>	<b>KW Demand</b>	<b>Participant</b>	<b>Ownership and Entitlement</b>	<b>KW Demand</b>
Cuyahoga Falls	16.67%	7,000	Arcanum	0.84%	352
Bowling Green	15.73%	6,608	Seville	0.82%	344
Niles	10.63%	4,463	Brewster	0.79%	333
Napoleon	7.35%	3,088	Pioneer	0.76%	321
Jackson	7.14%	3,000	Genoa	0.69%	288
Hudson	5.69%	2,388	Jackson Center	0.67%	281
Wadsworth	5.62%	2,360	Grafton	0.64%	269
Oberlin	3.02%	1,270	Elmore	0.58%	244
New Bremen	2.38%	1,000	Woodville	0.50%	209
Bryan	2.19%	919	Milan	0.39%	163
Hubbard	2.07%	871	Bradner	0.35%	145
Montpelier	2.02%	850	Beach City	0.30%	128
Minster	1.99%	837	Prospect	0.27%	115
Columbiana	1.66%	696	Haskins	0.13%	56
Wellington	1.62%	679	Lucas	0.13%	54
Versailles	1.10%	460	Arcadia	0.11%	46
Monroeville	1.02%	427	South Vienna	0.11%	45
Oak Harbor	0.94%	396	Waynesfield	0.08%	35
Lodi	0.94%	395	Eldorado	0.08%	35
Pemberville	0.92%	386	Republic	0.08%	35
Edgerton	0.92%	385	Custer	0.06%	24
	<u>91.61%</u>	<u>38,478</u>		<u>8.39%</u>	<u>3,522</u>
			Grand Total	<u>100.00%</u>	<u>42,000</u>

**NOTE 12: JOINTLY GOVERNED ORGANIZATIONS**

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

**VILLAGE OF BEACH CITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2008 AND 2009**

---

NOTE 12: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

NOTE 13: CONTINGENCIES

The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2009 and 2008.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

April 1, 2010

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Village of Beach City (the Village), Stark County, as of and for the years ended December 31, 2008 and 2009, and have issued our report thereon dated April 1, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A 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 entity's financial statements will not be prevented, detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses. However, we did note certain matters that we reported to the Village's management in a separate letter dated April 1, 2010.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested 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*.

However, we did note certain noncompliance or other matters that we have reported to management of the Village in a separate letter dated April 1, 2010.

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

*Hea & Associates, Inc.*



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BEACH CITY**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 12, 2010**