



Dave Yost • Auditor of State

VILLAGE OF CRAIG BEACH
MAHONING COUNTY

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Dave Yost • Auditor of State

Village of Craig Beach
Mahoning County
2538 Grandview Road
Lake Milton, Ohio 44429

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

July 11, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Craig Beach
Mahoning County
2538 Grandview Road
Lake Milton, Ohio 44429

To the Village Council:

We have audited the accompanying financial statements of the Village of Craig Beach, Mahoning County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe 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 practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2010 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, 2010 and 2009, or its changes in financial position for the years then ended.

Ohio Revised Code § 5705.10 requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. During 2005, 2006 and 2007, the Village posted homestead and rollback monies into the General Fund rather than the Street Levy, Fire Levy and Fire Apparatus Funds. The adjustment required to record these monies in the Street Levy, Fire Levy and Fire Apparatus Funds follows:

Fund	Misstatement as of December 31, 2008 through December 31, 2010
General Fund	(\$ 29,912)
Special Revenue Funds:	
Street Levy Fund	14,956
Fire Levy Fund	7,478
Fire Apparatus Fund	7,478
Total Special Revenue Funds	\$ 29,912

Management has declined to record these adjustments from 2005, 2006 and 2007 in their accounting records and the accompanying financial statements do not reflect them.

Also, in our opinion, because of the effects of the matter discussed in the table and two preceding paragraphs, the financial statements referred to above do not present fairly, the combined fund cash balances and reserves for encumbrances of the Village of Craig Beach, Mahoning County, as of December 31, 2010 and 2009, on the accounting basis Note 1 describes.

Finally, in our opinion, the financial statements referred to above present fairly, the combined fund cash receipts and disbursements for the years ended December 31, 2010 and 2009 on the accounting basis Note 1 describes.

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 July 11, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Dave Yost
Auditor of State

July 11, 2011

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VILLAGE OF CRAIG BEACH
MAHONING COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$34,638	\$73,567	\$108,205
Intergovernmental	18,674	179,037	197,711
Fines, Licenses and Permits	46,276	222	46,498
Earnings on Investments	184	43	227
Miscellaneous	515	141	656
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	100,287	253,010	353,297
Cash Disbursements:			
Current:			
Security of Persons and Property	40,327	19,000	59,327
Public Health Services	14,940	97,519	112,459
Leisure Time Activities		31,070	31,070
Community Environment	14		14
Basic Utility Service	7,474		7,474
Transportation		54,401	54,401
General Government	35,318	8,936	44,254
Capital Outlay		76,721	76,721
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	98,073	287,647	385,720
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	2,214	(34,637)	(32,423)
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	425	7,320	7,745
Transfers-In		8,260	8,260
Transfers-Out	(8,260)		(8,260)
Advances-In	25,221	25,221	50,442
Advances-Out	(25,221)	(25,221)	(50,442)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(7,835)	15,580	7,745
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(5,621)	(19,057)	(24,678)
Fund Cash Balances, January 1 - [SEE NOTE 2]	<hr/>	<hr/>	<hr/>
	52,917	267,145	320,062
Fund Cash Balances, December 31	<hr/> \$47,296 <hr/>	<hr/> \$248,088 <hr/>	<hr/> \$295,384 <hr/>

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

VILLAGE OF CRAIG BEACH
MAHONING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Fund Cash Balances, January 1	<u>\$853</u>
Fund Cash Balances, December 31	<u><u>\$853</u></u>

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

VILLAGE OF CRAIG BEACH
MAHONING 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$38,205	\$72,565	\$110,770
Intergovernmental	32,994	81,440	114,434
Fines, Licenses and Permits	42,810	1,018	43,828
Earnings on Investments	382		382
Miscellaneous	1,856		1,856
Total Cash Receipts	116,247	155,023	271,270
Cash Disbursements:			
Current:			
Security of Persons and Property	38,404	21,757	60,161
Public Health Services	13,789	17,958	31,747
Community Environment	1,375		1,375
Basic Utility Service	8,170		8,170
Transportation		39,555	39,555
General Government	38,566	6,363	44,929
Total Cash Disbursements	100,304	85,633	185,937
Total Receipts Over/(Under) Disbursements	15,943	69,390	85,333
Fund Cash Balances, January 1 - [SEE NOTE 2]	36,923	197,751	234,674
Fund Cash Balances, December 31	\$52,866	\$267,141	\$320,007
Reserve for Encumbrances, December 31	\$99	\$56	\$155

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

VILLAGE OF CRAIG BEACH
MAHONING COUNTY

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

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Fund Cash Balances, January 1	<u>\$853</u>
Fund Cash Balances, December 31	<u><u>\$853</u></u>

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

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Craig Beach, Mahoning County, (the Village) as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides general governmental services, park operations, and police services. The Village contracted with the Milton Township to receive fire protection services.

Public Entity Risk Pool:

The Village belongs to the Ohio Government Risk Management Plan (The "Plan"), an unincorporated non-profit association providing a formalized, jointly-administered self-insurance risk management program. Note 7 to the financial statements provides additional information about this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. 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.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 money from a special levy passed by the electors for fire and emergency medical services.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Unclaimed Monies owed to individuals who cannot be found.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. 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.

2. PRIOR PERIOD ADJUSTMENT

The Village voided checks that were outstanding for an extended period of time. The following resulted from the voided checks:

2009 Fund balance Restatement	General Fund	Special Revenue Funds
Fund Cash Balance, December 31, 2008 (Before Adjustment)	\$36,801	\$196,375
Adjustments related to voided checks	122	1,376
Adjusted Fund Balance as of January 1, 2009	36,923	197,751

2010 Fund balance Restatement	General Fund	Special Revenue Funds
Fund Cash Balance, December 31, 2009 (Before Adjustment)	\$52,866	\$267,141
Adjustments related to Audit Adjustments for 2008	(4)	4
Adjustments related to voided checks	55	
Adjusted Fund Balance as of January 1, 2010	52,917	267,145

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. EQUITY IN POOLED 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:

	2010	2009
Demand deposits	296,237	320,860

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,361	\$100,712	(\$13,649)
Special Revenue	180,970	261,335	80,365
Total	\$295,331	\$362,047	\$66,716

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,227	\$106,333	\$60,894
Special Revenue	236,712	280,392	(43,680)
Total	\$403,939	\$386,725	\$17,214

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,826	\$116,247	\$14,421
Special Revenue	162,320	155,023	(7,297)
Total	\$264,146	\$271,270	\$7,124

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,631	\$100,403	\$38,228
Special Revenue	162,320	85,689	76,631
Total	\$300,951	\$186,092	\$114,859

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Levy Fund \$43,680 for the year ended December 31, 2010.

5. PROPERTY TAX

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

7. RISK MANAGEMENT

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. RISK MANAGEMENT – (Continued)

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), 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, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% 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 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

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 retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	Total 2009	Total 2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members’ Equity	\$6,323,701	\$105,185	\$6,428,886	\$5,184,333

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



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Craig Beach
Mahoning County
2538 Grandview Road
Lake Milton, Ohio 44429

To the Village Council:

We have audited the financial statements of the Village of Craig Beach (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 11, 2011 wherein we noted the Village's year-end cash balances are not fairly presented. We also noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2010-001 and 2010-002 to be significant deficiencies. 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.

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Compliance and Other Matters

As part of reasonably assuring 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 directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

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 11, 2011.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 11, 2011

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance Citation / Significant Deficiency

Finding for Adjustment

Ohio Revised Code § 5705.10(C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

During 2005, 2006 and 2007, the Village posted homestead and rollback monies into the General Fund rather than the Street Levy, Fire Levy and Fire Apparatus Funds. The adjustment required to properly record these monies in the Street Levy, Fire Levy and Fire Apparatus Funds follows:

Fund	2007 Receipts & Fund Balance	2006 Receipts & Fund Balance	2005 Receipts & Fund Balance	Total
General Fund	(9,888)	(\$9,773)	(\$10,251)	(\$29,912)
Street Levy Fund	4,944	4,887	5,125	14,956
Fire Levy Fund	2,472	2,443	2,563	7,478
Fire Apparatus Fund	2,472	2,443	2,563	7,478

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in the amount of \$29,912 and in favor of the Street Levy Fund in the amount of \$14,956, the Fire Levy Fund in the amount of \$7,478, and the Fire Apparatus Fund in the amount of \$7,478.

Management has declined to record this adjustment, and the accompanying financial statements do not reflect these adjustments.

Official's Response: The Clerk was not aware that this was incorrect at the time it was done. Once advised of the error, the Clerk adjusted the 2008 Homestead and Rollback monies from the General Fund to the Levy Funds. In 2009, and since, the Village has, and will continue to record the Homestead and Rollback monies correctly.

FINDING NUMBER 2010-002

Noncompliance Citation / Significant Deficiency

Ohio Revised Code Section 5705.09(F) requires that a subdivision establish a special fund for each class of revenue derived from a source, other than general property tax, which the law requires to be used for a particular purpose. Furthermore, Auditor of State Bulletin 2002-004 clarifies the application of section 5705.09 to Issue 2 projects, and notes that Village Council should establish, by resolution, a separate Capital Projects Fund to account for each Issue 2 project funded from the Ohio Public Works Commission. Additionally, Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village of Craig Beach did not establish the required Capital Projects (Issue 2) Funds in accordance with Ohio Revised Code § 5705.09(F), nor did they record the related revenues of \$43,680 and expenditures of \$43,680 expended on their behalf. The Village's Issue 2 monies went directly from the Ohio Public Works Commission to the appropriate contractor, as is common procedure with Issue 2 funding, and the Village did not record these monies coming into the Village or being expended to the contractor as required. Consequently, the Village also violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate these monies. (The financial statements include the proper adjustments to reflect the Issue 2 project activity within the Street Levy Fund as the Village has no Capital Projects fund that could be adjusted to account for the money expended on its behalf by OPWC.)

The financial statements reflect this adjustment.

We recommend that the Village establish a separate Capital Projects Fund for each Issue 2 project in order to account for the related receipts and disbursements to the extent the local government has received a benefit from each project and budget for these monies accordingly.

Official's Response: The Village is working on establishing the required fund and recording these transactions in the future.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Finding for Adjustment	No	Repeated as 2010-001

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Dave Yost • Auditor of State

VILLAGE OF CRAIG BEACH

MAHONING 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 9, 2011