



**Auditor of State
Betty Montgomery**

VILLAGE OF CRAIG BEACH
MAHONING COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Craig Beach
Mahoning County
2538 Grandview Road
P.O. Box 99
Lake Milton, Ohio 44429

To the Village Council:

We have audited the accompanying financial statements of the Village of Craig Beach (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. 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 *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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Craig Beach
Mahoning County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 20, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$38,883			\$38,883
Special Assessments		\$53,635		53,635
Intergovernmental Receipts	9,503	45,428		54,931
Charges for Services	4	1,695		1,699
Fines, Licenses, and Permits	3,601	3,096		6,697
Earnings on Investments	983			983
Miscellaneous	17,930			17,930
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	70,904	103,854	\$0	174,758
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	23,168	21,471		44,639
Public Health Services	7,674			7,674
Leisure Time Activities		6,196		6,196
Community Environment	2,611			2,611
Basic Utility Services	9,820			9,820
Transportation		25,048		25,048
General Government	36,800			36,800
Capital Outlay		65,126	436	65,562
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	80,073	117,841	436	198,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(9,169)	(13,987)	(436)	(23,592)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):				
Transfers-In		7,475		7,475
Advances-In		2,000		2,000
Transfers-Out	(1,295)	(6,180)		(7,475)
Advances-Out		(2,000)		(2,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(1,295)	1,295	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,464)	(12,692)	(436)	(23,592)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	15,220	78,703	436	94,359
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$4,756	\$66,011	\$0	\$70,767
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Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0
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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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$40,493			\$40,493
Special Assessments		\$38,437		38,437
Intergovernmental Receipts	9,200	77,661		86,861
Charges for Services	31	1,957		1,988
Fines, Licenses, and Permits	4,589	3,719		8,308
Earnings on Investments	1,599	31		1,630
Miscellaneous	12,423	2,323		14,746
Total Cash Receipts	<u>68,335</u>	<u>124,128</u>	<u>\$0</u>	<u>192,463</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	29,116	16,647		45,763
Leisure Time Activities		44,001		44,001
Community Environment	1,024			1,024
Basic Utility Services	8,285			8,285
Transportation	76	25,235		25,311
General Government	53,815	255		54,070
Debt Service:				
Principal Payments		1,185		1,185
Interest Payments		7		7
Capital Outlay	2,806	15,317	152	18,275
Total Cash Disbursements	<u>95,122</u>	<u>102,647</u>	<u>152</u>	<u>197,921</u>
Total Receipts Over/(Under) Disbursements	<u>(26,787)</u>	<u>21,481</u>	<u>(152)</u>	<u>(5,458)</u>
Fund Cash Balances, January 1	<u>42,007</u>	<u>57,222</u>	<u>588</u>	<u>99,817</u>
Fund Cash Balances, December 31	<u>\$15,220</u>	<u>\$78,703</u>	<u>\$436</u>	<u>\$94,359</u>
Reserves for Encumbrances, December 31	<u>\$9</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Craig Beach, Mahoning County, (the Village) is a body corporate and politic 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 and police services.

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

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 and Investments

The Village maintained only a general operating account.

D. Fund Accounting

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

1. 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.

2. 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.

Street Levy Fund -This fund receives tax money from a special levy passed by the electors for the repair and maintenance of Village roads.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Special Revenue Funds – (Continued)

Sidewalk Grant Fund – This fund is used to account for the activity regarding the sidewalk project on Grandview Road from funds acquired through the Mahoning County Development Program.

3. Capital Project Funds

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

Veterans Memorial Fund - This fund receives monies from an outside source to maintain the memorial.

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 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 outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand Deposits	<u>\$70,767</u>	<u>\$94,359</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$0	\$70,904	\$70,904
Special Revenue	0	111,329	111,329
Capital Projects	0	0	0
Total	<u>\$0</u>	<u>\$182,233</u>	<u>\$182,233</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$84,480	\$81,368	\$3,112
Special Revenue	188,843	124,021	64,822
Capital Projects	436	436	0
Total	<u>\$273,759</u>	<u>\$205,825</u>	<u>\$67,934</u>

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$68,335	\$68,335
Special Revenue	0	124,128	124,128
Capital Projects	0	0	0
Total	\$0	\$192,463	\$192,463

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,167	\$95,131	\$7,036
Special Revenue	126,074	102,647	23,427
Capital Projects	588	152	436
Total	\$228,829	\$197,930	\$30,899

Budgetary Compliance – Contrary to Ohio Revised Code § 5705.36 the Village did not certify to the county auditor, the total amount from all sources which is available for expenditures from each fund. Consequently all Village funds in 2001 and 2002 had appropriations greater than estimated revenue which is contrary to Ohio Revised Code § 5705.39.

Contrary to Ohio Revised Code § 5705.41(B), the Street Levy Fund, (a Special Revenue Fund), had expenditures in excess of appropriations in 2001.

Contrary to Ohio Revised Code § 5705.28 the Village did not adopt a tax budget for 2001 and 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual 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.

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.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Craig Beach
Mahoning County
2538 Grandview Road
P.O. Box 99
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, 2002 and December 31, 2001, and have issued our report thereon dated May 20, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 20, 2003.

Village of Craig Beach
Mahoning County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 20, 2003

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-001
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Noncompliance Citation

Ohio Revised Code § 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer is to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

Ohio Revised Code § 5705.39 provides that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. This section further provides that no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

For fiscal year 2001 and 2002, the Village did not make the certification required by Ohio Revised Code § 5705.36. As a result the budget commission did not certify any estimated revenue for the Village and all appropriations were greater than estimated revenue, in violation of Ohio Revised Code §5705.39.

Finding Number	2002-002
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Noncompliance Citation

Ohio Revised § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. In fiscal year 2001 the Village appropriated no monies to the Street Levy Fund, (a special revenue fund), yet it had expenditures of \$15,318.

Finding Number	2002-003
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Noncompliance Citation

Ohio Revised Code § 5705.28 provides that on or before July 15, in each year, the taxing authority of each subdivision is required to adopt a tax budget for the next succeeding fiscal year.

There is no indication in the 2000 and 2001 Council minutes that a tax budget was adopted on or before the required date, for fiscal year 2001 and 2002.

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31150-001	Ohio Rev. Code §5705.39 – Appropriations exceeded estimated resources in the Street Construction Maintenance and Repair Fund	No	Certificate of Estimated Resources not filed in 2001 or 2002.
2000-31150-002	Actual receipts exceeded estimated resources in the General Fund	No	Certificate of Estimated Resources not filed in 2001 or 2002.



**Auditor of State
Betty Montgomery**

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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
JUNE 26, 2003**