



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

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DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Craig Beach, Mahoning County, Ohio (the Village) as of and for the years ended December 31, 2018, and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting – General and Special Revenue

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, 2016 through December 31, 2018
General Fund	(\$23,912)
Special Revenue Funds:	
Street Levy Fund	11,956
Fire Levy Fund	5,978
Fire Apparatus Fund	5,978
Total Special Revenue Funds	\$23,912

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.

Adverse Opinion on Regulatory Basis of Accounting – General and Special Revenue

In our opinion, except for the effects of the failure to record the prior adjustment as discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting – General and Special Revenue*, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Craig Beach, Mahoning County as of December 31, 2018, and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State

Columbus, Ohio

July 15, 2019

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Village of Craig Beach, Ohio
Mahoning County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$36,514	\$129,877	\$166,391
Intergovernmental	10,408	78,416	88,824
Fines, Licenses and Permits	15,365	2,115	17,480
Earnings on Investments	59	8	67
<i>Total Cash Receipts</i>	<u>62,346</u>	<u>210,416</u>	<u>272,762</u>
Cash Disbursements			
Current:			
Security of Persons and Property	996	83,798	84,794
Public Health Services	5,659		5,659
Community Environment	1,800		1,800
Basic Utility Services	7,633		7,633
Transportation		95,163	95,163
General Government	33,296	16,126	49,422
Capital Outlay		37,234	37,234
<i>Total Cash Disbursements</i>	<u>49,384</u>	<u>232,321</u>	<u>281,705</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,962</u>	<u>(21,905)</u>	<u>(8,943)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets		2,945	2,945
Advances In	1,500	1,500	3,000
Advances Out	(1,500)	(1,500)	(3,000)
Other Financing Sources	321		321
Other Financing Uses	(1,090)	(7,065)	(8,155)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(769)</u>	<u>(4,120)</u>	<u>(4,889)</u>
<i>Net Change in Fund Cash Balances</i>	12,193	(26,025)	(13,832)
<i>Fund Cash Balances, January 1</i>	<u>5,349</u>	<u>286,769</u>	<u>292,118</u>
Fund Cash Balances, December 31			
Restricted		260,744	260,744
Assigned	8,070		8,070
Unassigned (Deficit)	9,472		9,472
<i>Fund Cash Balances, December 31</i>	<u>\$17,542</u>	<u>\$260,744</u>	<u>\$278,286</u>

See accompanying notes to the basic financial statements

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Village of Craig Beach, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Craig Beach (the Village), Mahoning County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village provides general governmental services, park operations and police services. The Village contracts with the Craig Beach Volunteer Fire Department to receive fire protection services. The Village appropriates Fire Levy Fund and Fire Apparatus Levy Fund money to support a volunteer fire department.

Public Entity Risk Pools

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Street Levy Fund – This fund receives tax money from a special levy approved by the electors for constructing, maintaining, and repairing Village streets.

Fire Levy Fund – This fund receives tax money from a special levy approved by the electors for fire and emergency medical services which are contracted out to a private Fire Department.

Village of Craig Beach, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fire Apparatus and Equipment Levy Fund – This fund receives tax money from a special levy approved by the electors for purchasing of equipment for the Fire Department that holds the Fire Contract at the time. A list of needed equipment, repairs and/or protective clothing needed, along with the cost, must be presented to Village Council for approval.

Police Levy Fund – This fund receives tax money from a special levy approved by the electors to provide police protection for the Village residents.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. *(Include, or modify the following sentences as necessary).* The Village did use the encumbrance method of accounting.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Village of Craig Beach, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Village of Craig Beach, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,024	\$62,667	(\$2,357)
Special Revenue	212,118	213,361	1,243
Total	\$277,142	\$276,028	(\$1,114)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,227	\$50,721	\$19,506
Special Revenue	498,883	239,422	259,461
Total	\$569,110	\$290,143	\$278,967

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$278,286
Total deposits	\$278,286

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Craig Beach, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes (Continued)

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

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018, (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Village of Craig Beach, Ohio
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Other than the six Members of Council, all other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members 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, 2018.

Social Security

The Six Council Members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Contingent Liabilities

At December 31, 2018 there were no contingent liabilities, including no pending litigation.

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$35,172	\$77,913	\$113,085
Intergovernmental	11,010	73,956	84,966
Fines, Licenses and Permits	18,432	70	18,502
Earnings on Investments	76	13	89
Miscellaneous	372	1,350	1,722
<i>Total Cash Receipts</i>	<u>65,062</u>	<u>153,302</u>	<u>218,364</u>
Cash Disbursements			
Current:			
Security of Persons and Property	20,552	26,142	46,694
Public Health Services	5,374		5,374
Community Environment	2,170		2,170
Basic Utility Services	7,122		7,122
Transportation		108,205	108,205
General Government	32,748	13,913	46,661
Capital Outlay		99,523	99,523
<i>Total Cash Disbursements</i>	<u>67,966</u>	<u>247,783</u>	<u>315,749</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,904)</u>	<u>(94,481)</u>	<u>(97,385)</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	<u>(3,000)</u>	<u>(75,746)</u>	<u>(78,746)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,000)</u>	<u>(75,746)</u>	<u>(78,746)</u>
<i>Net Change in Fund Cash Balances</i>	(5,904)	(170,227)	(176,131)
<i>Fund Cash Balances, January 1</i>	<u>11,253</u>	<u>456,996</u>	<u>468,249</u>
Fund Cash Balances, December 31			
Restricted		286,769	286,769
Assigned	<u>5,349</u>		<u>5,349</u>
<i>Fund Cash Balances, December 31</i>	<u>\$5,349</u>	<u>\$286,769</u>	<u>\$292,118</u>

See accompanying notes to the basic financial statements

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

Note 1 - Reporting Entity

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Public Entity Risk Pools

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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

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

Street Levy Fund – This fund receives tax money from a special levy approved by the electors for constructing, maintaining, and repairing Village streets.

Fire Levy Fund – This fund receives tax money from a special levy approved by the electors for fire and emergency medical services which are contracted out to a private Fire Department.

Fire Apparatus and Equipment Levy Fund – This fund receives tax money from a special levy approved by the electors for purchasing of equipment for the Fire Department that holds the Fire Contract at the time. A list of needed equipment, repairs and/or protective clothing needed, along with the cost, must be presented to Village Council for approval.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. *(Include, or modify the following sentences as necessary).* The Village did use the encumbrance method of accounting.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 - Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,364	\$65,062	\$698
Special Revenue	147,874	153,302	5,428
Total	\$212,238	\$218,364	\$6,126

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

Note 3 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,319	\$71,193	\$1,126
Special Revenue	576,016	323,553	252,463
Total	\$648,335	\$394,746	\$253,589

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$292,118
Total deposits	\$292,118

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Other than the six Members of Council, all other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members 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, 2017.

Social Security

The Six Council Members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Contingent Liabilities

At December 31, 2017 there were no contingent liabilities, including no pending litigation.

Note 10 – Subsequent Events

As of December 31, 2017, the village residents approved a 3 mil Police Levy which will begin to be collected during 2018. The Police Levy's passage will free up General Fund money which can be used to meet general obligations of the village.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Village of Craig Beach, Mahoning, (the Village) as of and for the years ended December 31, 2018, and 2017, and the related notes to the financial statements and have issued our report thereon dated July 15, 2019, wherein we issued an adverse opinion on the Village's financial statements because the Village did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03. We issued an adverse opinion on the General and Special Revenue fund types due to Village not properly recording prior period revenues in compliance with Ohio Revised Code § 5705.10.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 15, 2019

**VILLAGE OF CRAIG BEACH
MAHONING COUNTY**

SCHEDULE OF FINDINGS

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

1. Finding For Adjustment

<i>Finding Number</i>	2018-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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 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)
Str. Levy Fund	4,944	4,887	5,125	14,956
Fire Levy Fund	2,472	2,443	2,563	7,478
Fire App. Fund	2,472	2,443	2,563	7,478

Management is working to pay back monies owed these respective funds. As the second schedule shows, Council did appropriate in their 2016 appropriation ordinance the transfer out of \$6,000 from the General Fund and transfers in of \$3,000 to the Street Levy Fund, \$1,500 to the Fire Levy Fund, and \$1,500 to the Fire Apparatus Fund during 2016.

Fund	2007 Total Carried Forward	2016 Transfers Out & Transfers In	Total Remaining to be paid back
General Fund	(\$29,912)	(\$6,000)	(\$23,912)
Street Levy Fund	14,956	3,000	11,956
Fire Levy Fund	7,478	1,500	5,978
Fire App. Fund	7,478	1,500	5,978

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in the amount of \$23,912 and in favor of the Street Levy Fund in the amount of \$11,956, the Fire Levy Fund in the amount of \$5,978, and the Fire Apparatus Fund in the amount of \$5,978.

During 2017 and 2018 the Village did not pay any of these funds back, so the remaining balance from the prior audit remains the same.

Official's Response: In 2016 we were able to pay back \$6,000 to the appropriate funds and another \$6,000 will be paid back in 2019, leaving an unpaid balance of \$17,912. Our intention is to be able to appropriate \$10,000 for 2020 (minimum of \$6,000).

2. Reclassifications

<i>Finding Number</i>	2018-002
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Additionally, GASB 54 ¶ 16 and Implementation Guide Z.54.13 requires assigned balances include year-end general fund balances appropriated in the next fiscal year.

The Village had the following misclassifications:

2018

- In the General Fund, \$6,471 of homestead and rollback monies were classified as property taxes, but should have been classified as intergovernmental revenue.
- In the General Fund, \$321 in revenue was classified as a Special Item, but it should have been classified as miscellaneous revenue.
- In the Special Revenue Funds, \$15,649 of homestead and rollback monies were classified as property taxes, but should have been classified as intergovernmental revenue.
- In the Special Revenue Funds, \$2,000 was classified as intergovernmental revenue but should have been classified as property tax.
- In the General Fund, \$8,070 of the unassigned fund balance should have been classified as assigned fund balance.

2017

- In the General Fund, \$1,909 of homestead and rollback monies were classified as property taxes, but should have been classified as intergovernmental revenue.
- In the General Fund, \$660 in revenue was classified as a Special Item, but it should have been classified as intergovernmental revenue.
- In the General Fund, \$5,994 of the unassigned fund balance should have been classified as assigned fund balance.

The Village had no management oversight procedures or policies in place to ensure receipts and fund balances were properly classified.

The Village's financial statements reflect all the reclassifications noted above.

To help ensure complete and accurate financial reporting, the Fiscal Officer should closely monitor all receipts to ensure amounts are posted to the proper accounts. In addition, the Fiscal Officer should refer to the Village Officer's Handbook to help ensure proper accounts are being used.

The Fiscal Officer should also review the next fiscal year appropriations and estimated resources and determine if the General Fund appropriations exceed estimated resources. The excess amount should be reported as assigned within the General Fund fund balance in accordance with the provisions of GASB 54 ¶ 16 and Implementation Guide Z.54.13.

Official's Response:

We will address and correct all issues from the 2017/18 audit.

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**CRAIG BEACH VILLAGE
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance – ORC 5705.10(C) / Material Weakness / Finding for Adjustment	No	Not Corrected – Repeated as 2018-01

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CRAIG BREACH

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 8, 2019**