



**VILLAGE OF CASTALIA  
ERIE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF CASTALIA  
ERIE COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Castalia  
Erie County  
126 Main Street  
P.O. Box 451  
Castalia, Ohio 44824-0451

To the Village Council:

We have audited the accompanying financial statements of the Village of Castalia, Erie County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. 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 audits.

We conducted our audits 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 audits 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 audits provide 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 of the Village as of December 31, 2000 and 1999, 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 June 26, 2001 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 audits.

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.

**Jim Petro**  
Auditor of State

June 26, 2001

**VILLAGE OF CASTALIA  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$81,466		\$8,394	\$89,860
Special Assessments		\$237		237
Intergovernmental Receipts	104,428	39,578	1,423	145,429
Fines, Licenses, and Permits	14,378			14,378
Earnings on Investments	4,390	842	1,019	6,251
Miscellaneous	8,241			8,241
Total Cash Receipts	<u>212,903</u>	<u>40,657</u>	<u>10,836</u>	<u>264,396</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	99,719	11,047		110,766
Leisure Time Activities	2,917			2,917
Community Environment	793			793
Basic Utility Services	2,276			2,276
Transportation	4,033	34,090	18,155	56,278
General Government	46,504	313		46,817
Debt Service:				
Interest Payments	307			307
Capital Outlay	20,763			20,763
Total Cash Disbursements	<u>177,312</u>	<u>45,450</u>	<u>18,155</u>	<u>240,917</u>
Total Receipts Over/(Under) Disbursements	<u>35,591</u>	<u>(4,793)</u>	<u>(7,319)</u>	<u>23,479</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Assets	40			40
Sale of Notes	10,050			10,050
Transfers-In		3,000		3,000
Other Financing Sources			3,281	3,281
Transfers-Out	(3,000)			(3,000)
Total Other Financing Receipts/(Disbursements)	<u>7,090</u>	<u>3,000</u>	<u>3,281</u>	<u>13,371</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	42,681	(1,793)	(4,038)	36,850
Fund Cash Balances, January 1	<u>3,860</u>	<u>44,808</u>	<u>84,473</u>	<u>133,141</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$46,541</u></b>	<b><u>\$43,015</u></b>	<b><u>\$80,435</u></b>	<b><u>\$169,991</u></b>

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

**VILLAGE OF CASTALIA  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$39,912		\$8,601	\$48,513
Special Assessments		\$14,489		14,489
Intergovernmental Receipts	75,025	40,236	38,070	153,331
Fines, Licenses, and Permits	8,878			8,878
Earnings on Investments	1,986	481		2,467
Miscellaneous	7,658			7,658
Total Cash Receipts	<u>133,459</u>	<u>55,206</u>	<u>46,671</u>	<u>235,336</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	86,631	11,070		97,701
Leisure Time Activities	4,146			4,146
Community Environment	980			980
Basic Utility Services	8,689			8,689
Transportation		41,905	9,103	51,008
General Government	52,173			52,173
Capital Outlay			54,104	54,104
Total Cash Disbursements	<u>152,619</u>	<u>52,975</u>	<u>63,207</u>	<u>268,801</u>
Total Receipts Over/(Under) Disbursements	<u>(19,160)</u>	<u>2,231</u>	<u>(16,536)</u>	<u>(33,465)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Assets	25			25
Transfers-In		7,065		7,065
Other Financing Sources	5	82		87
Other Financing Uses	(64)			(64)
Transfers-Out	(7,065)			(7,065)
Total Other Financing Receipts/(Disbursements)	<u>(7,099)</u>	<u>7,147</u>		<u>48</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,259)	9,378	(16,536)	(33,417)
Fund Cash Balances, January 1	<u>30,119</u>	<u>35,430</u>	<u>101,009</u>	<u>166,558</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$3,860</u></b>	<b><u>\$44,808</u></b>	<b><u>\$84,473</u></b>	<b><u>\$133,141</u></b>

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



**VILLAGE OF CASTALIA  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Castalia, Erie 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, including park operations (leisure time activities), 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. 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 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 Fund**

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 Lighting Fund* - This fund receives special assessments tax proceeds for constructing, repairing, and maintaining street lighting within the Village.

*Permissive Tax Fund* - This fund receives motor vehicle license fees for constructing, repairing, and maintaining Village streets.

**VILLAGE OF CASTALIA  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. Capital Project Fund**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund:

*Road, Street, and Bridge* - This fund receives real estate and personal property tax proceeds for the construction, maintenance, and repair of the Village roads, streets, and bridges.

**D. 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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**E. 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.

**F. Unpaid Vacation and Sick Leave**

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

**VILLAGE OF CASTALIA  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$169,991</u>	<u>\$133,141</u>

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, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,679	\$222,993	\$39,314
Special Revenue	35,800	43,656	7,856
Capital Projects	10,007	14,117	4,110
Total	<u>\$229,486</u>	<u>\$280,766</u>	<u>\$51,280</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,753	\$180,311	\$51,442
Special Revenue	57,166	45,450	11,716
Capital Projects	87,762	18,155	69,607
Total	<u>\$376,681</u>	<u>\$243,916</u>	<u>\$132,765</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,000	\$133,489	\$18,489
Special Revenue	45,000	62,353	17,353
Capital Projects	10,079	46,671	36,592
Total	<u>\$170,079</u>	<u>\$242,513</u>	<u>\$72,434</u>

**VILLAGE OF CASTALIA  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$166,452	\$159,748	\$6,704
Special Revenue	66,366	52,975	13,391
Capital Projects	103,824	63,207	40,617
Total	\$336,642	\$275,930	\$60,712

The Village did not properly certify funds as being available for expenditure prior to making the purchase as required by § 5705. 41(D) of the Ohio Revised Code.

**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.

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Commercial Bank Loan	\$10,010	5.94%

The Commercial bank loan relates to the purchase of a new police cruiser.

**VILLAGE OF CASTALIA  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

<u>Year Ending December 31:</u>	<u>Cruiser Loan</u>
2001	\$5,597
2002	<u>5,159</u>
Total	<u><u>\$10,756</u></u>

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2000 and 1999, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

Village of Castalia  
Erie County  
126 Main Street  
P.O. Box 451  
Castalia, Ohio 44824-0451

To the Village Council:

We have audited the accompanying financial statements of the Village of Castalia, Erie County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 26, 2001. We conducted our audits 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-30522-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated June 26, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered 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 the management of the Village in a separate letter dated June 26, 2001.

This report is intended 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.

**Jim Petro**  
Auditor of State

June 26, 2001



VILLAGE OF CASTALIA  
ERIE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999

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

**FINDING NUMBER 2000-30522-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states that no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any encumbrances, the legislative authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificate, if such certificate is otherwise valid.
- b. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the legislative authority.

We noted that in 82% of the transactions examined, the certification of availability of funds was not completed prior to the expenditures being incurred, and the above exceptions were not used. The failure to certify the availability of funds in advance of expenditures being incurred could result in expenditures and encumbrances exceeding appropriations and possibly available resources. We recommend that the Village Clerk certify expenditures prior to the obligation being incurred. Then and Now certificates should be used for emergency or unforeseen expenditures.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF CASTALIA**

**ERIE 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  
JULY 19, 2001**