



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF CASTALIA
ERIE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
Village of Castalia
126 Main Street
Castalia, Ohio 44824

We have reviewed the *Independent Auditor's Report* of the Village of Castalia, Erie County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 20, 2021

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VILLAGE OF CASTALIA
ERIE COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Village of Castalia, Erie County, Ohio (the Village).

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 opinions.

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, 2020 and 2019, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

During 2020 and 2019 the Village of Castalia failed to record certain fund balance adjustments from the previous audit. The effects of noncompliance with applicable Ohio Revised Code provisions had the following effect on fund cash balances as presented:

Opinion Unit / Description	Amount Per Report	Amount per Audit	Variance
<i>Year Ending December 31, 2020</i>			
General Fund / Fund Cash Balance - Jan. 1	72,951	68,809	4,142
General Fund / Fund Cash Balance - Dec. 31 (Unassigned)	60,528	56,386	4,142
Speical Revenue / Fund Cash Balance - Jan. 1	46,490	62,618	(16,128)
Special Revenue / Fund Cash Balances - Dec. 31 (Restricted)	116,247	132,375	(16,128)
Capital Projects / Fund Cash Balance - Jan. 1	4,992	(6,904)	11,896
Capital Projects / Fund Cash Balances - Dec. 31 (Restricted)	14,529	2,543	11,986

Opinion Unit / Description	Amount Per Report	Amount per Audit	Variance
<i>Year Ending December 31, 2019</i>			
General Fund / Fund Cash Balance - Jan. 1	67,640	63,498	4,142
General Fund / Fund Cash Balance - Dec. 31 (Unassigned)	72,951	68,809	4,142
Speical Revenue / Fund Cash Balance - Jan. 1	43,874	60,002	(16,128)
Special Revenue / Fund Cash Balances - Dec. 31 (Restricted)	46,490	62,618	(16,128)
Capital Projects / Fund Cash Balance - Jan. 1	4,813	(7,173)	11,986
Capital Projects / Fund Cash Balances - Dec. 31 (Restricted)	4,992	(6,994)	11,986

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the Basis for Additional Opinion Qualification paragraph, the financial statements as it relates to the General Fund, Special Revenue Funds, and Capital Projects Funds referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Village of Castalia, Erie County, Ohio, 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.

Emphasis of Matter

As discussed in Note 13 to the 2020 financial statements, the financial impact of COVID-19 and the ensuing measure will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, 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.



BHM CPA Group, Inc.
 Piketon, Ohio
 June 29, 2021

**VILLAGE OF CASTALIA
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Taxes	\$ 87,898	\$ 34,383	\$ 13,348	\$ 135,629
Intergovernmental	34,124	72,985	2,054	109,163
Special Assessments	-	13,151	-	13,151
Fines, Licenses and Permits	15,086	-	-	15,086
Earnings on Investments	217	-	-	217
Miscellaneous	17,147	-	-	17,147
Total Cash Receipts	<u>154,472</u>	<u>120,519</u>	<u>15,402</u>	<u>290,393</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	61,508	35,684	-	97,192
Public Health Services	1,470	-	-	1,470
Leisure Time Activities	2,200	-	-	2,200
Community Environment	1,385	-	-	1,385
Basic Utility	5,350	-	-	5,350
Transportation	-	65,078	-	65,078
General Government	46,982	-	-	46,982
Capital Outlay	-	-	489	489
Debt Service:				
Principal Retirement	-	-	5,376	5,376
Total Cash Disbursements	<u>118,895</u>	<u>100,762</u>	<u>5,865</u>	<u>225,522</u>
Excess of Receipts Over/(Under) Disbursements	35,577	19,757	9,537	64,871
Other Financing Receipts (Disbursements):				
Transfers In	-	50,000	-	50,000
Transfers Out	(50,000)	-	-	(50,000)
Other Financing Sources	2,000	-	-	2,000
Total Other Financing Receipts (Disbursements)	<u>(48,000)</u>	<u>50,000</u>	<u>-</u>	<u>2,000</u>
Net Change in Fund Cash Balances	(12,423)	69,757	9,537	66,871
Fund Cash Balances, January 1	72,951	46,490	4,992	124,433
Fund Cash Balances, December 31	<u>\$ 60,528</u>	<u>\$ 116,247</u>	<u>\$ 14,529</u>	<u>\$ 191,304</u>

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

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The Village of Castalia (the Village), Erie 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 five-member Council directs the Village. The Village provides street maintenance, park operations, and police services

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 10 to the financial statements provides additional information for these entities.

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, which are organized on a fund type 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.

Police Levy Fund The police levy fund receives property tax money to be used for providing police protection services.

Capital Project Funds These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Village streets, roads, and bridges.

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 Board 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 be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not recorded 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 Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 240,811	\$ 156,472	\$ (84,339)
Special Revenue	117,094	170,519	53,425
Capital Projects	15,311	15,402	91
Total	\$ 373,216	\$ 342,393	\$ (30,823)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 302,432	\$ 168,895	\$ 133,537
Special Revenue	172,832	100,762	72,070
Capital Projects	25,311	5,865	19,446
Total	\$ 500,575	\$ 275,522	\$ 225,053

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:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$ 191,304
Total deposits	191,304
Total carrying amount of deposits held in the Pool	\$ 191,304

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Risk Pool Membership

The (local entity) 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 (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

Village of Castalia, Ohio
 Erie County
 Notes to the Financial Statements
 For the Year Ended December 31, 2020

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's 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, 2020.

Note 8 - Postemployment Benefits

OPERS offers 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 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 9 - Debt

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest Rate
Ohio Public Water Commission	\$16,127	0.00%
Total	\$16,127	

The Ohio Public Works Commission (OPW) loan relates to road repairs to Depot and Water Streets. The OPW approved up to \$107,513 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$5,376, including interest, over 10 years. The Village established no levies nor sold bonds to cover the cost of this loan.

Amortization

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

Year ending	
December 31:	OPWC Loan
2021	10,751
2022	5,376
Total	\$ 16,127

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six-member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

The effect of this change had no effect on the Village's beginning cash balances.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**VILLAGE OF CASTALIA
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 95,364	\$ 34,904	\$ 13,544	\$ 143,812
Intergovernmental	35,052	56,878	2,039	93,969
Special Assessments	-	13,300	-	13,300
Fines, Licenses, and Permits	14,591	-	-	14,591
Earnings on Investments	390	-	-	390
Miscellaneous	22,008	-	-	22,008
	<u>167,405</u>	<u>105,082</u>	<u>15,583</u>	<u>288,070</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	92,823	32,222	-	125,045
Public Health Services	1,430	-	-	1,430
Leisure Time Activities	4,051	-	-	4,051
Community Environment	1,385	-	-	1,385
Basic Utility Services	963	-	-	963
Transportation	-	69,962	-	69,962
General Government	61,442	282	705	62,429
Capital Outlay	-	-	3,948	3,948
Debt Service:				
Principal Retirement	-	-	10,751	10,751
	<u>162,094</u>	<u>102,466</u>	<u>15,404</u>	<u>279,964</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	5,311	2,616	179	8,106
Fund Cash Balances, January 1	<u>67,640</u>	<u>43,874</u>	<u>4,813</u>	<u>116,327</u>
Fund Cash Balances, December 31				
Restricted	-	46,490	4,992	51,482
Unassigned (Deficit)	<u>72,951</u>	<u>-</u>	<u>-</u>	<u>72,951</u>
Fund Cash Balances, December 31	<u>\$ 72,951</u>	<u>\$ 46,490</u>	<u>\$ 4,992</u>	<u>\$ 124,433</u>

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

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Castalia (the Village), Erie 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 five-member Council directs the Village. The Village provides street maintenance, park operations, and police services

Public Entity Risk Pools

The Village participates in a public entity risk. Note 10 to the financial statements provides additional information for these entities.

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) for all which are all organized on a fund type 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:

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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.

Police Levy Fund The police levy fund receives property tax money to be used for providing police protection services.

Capital Project Funds These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Village streets, roads, and bridges.

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 Board 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 be budgeted annually.

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not recorded 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 Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 Castalia, Ohio
 Erie County
 Notes to the Financial Statements
 For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 195,290	\$ 167,405	\$ (27,885)
Special Revenue	69,580	105,082	35,502
Capital Projects	15,311	15,583	272
Total	\$ 280,181	\$ 288,070	\$ 7,889

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 249,614	\$ 162,094	\$ 87,520
Special Revenue	132,914	102,466	30,448
Capital Projects	15,982	15,404	-
Total	\$ 398,510	\$ 279,964	\$ 117,390

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:

Demand deposits	2019 \$ 124,433
Total deposits	\$ 124,433

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs

Risk Pool Membership

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 covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Village of Castalia, Ohio
 Erie County
 Notes to the Financial Statements
 For the Year Ended December 31, 2019

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village’s 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, 2019.

Note 8 - Postemployment Benefits

OPERS offers 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 9 - Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Public Water Commission	\$21,501	0.00%
Total	\$21,501	

The Ohio Public Works Commission (OPW) loan relates to road repairs to Depot and Water Streets. The OPW approved up to \$107,513 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$5,376, including interest, over 10 years. The Village established no levies nor sold bonds to cover the cost of this loan.

Amortization

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

Year ending	OPWC Loan
December 31:	
2020	5,376
2021	10,751
2022	5,374
Total	\$ 21,501

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six-member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.



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

Village of Castalia
Erie County
126 Main Street, P.O. Box 451
Castalia, Ohio 44824-04

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 cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Village of Castalia, Erie County, (the Village) and have issued our report thereon dated June 29, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on the General, Special Revenue, and Capital Projects fund types due to the Village not posting the necessary fund balance adjustments from the previous audit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 2020-001, 2020-003 and 2020-004 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2020-001 and 2020-002.

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.

Handwritten signature in black ink that reads "BHM CPA Group".

BHM CPA Group, Inc.
Piketon, Ohio
June 29, 2021

**Village of Castalia
Erie County
Schedule of Findings
December 31, 2020 and 2019**

1. SUMMARY OF AUDITOR'S RESULTS

FINDING NUMBER 2020-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(C) provides, in part, all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The Fiscal Officer posted the receipts and disbursements from a voted police levy to the General Fund during the years ended December 31, 2020 and 2019 instead of a special fund as required by the provision outlined above. The following table illustrates the errors in posting:

<u>Fund Type / Fund</u>	<u>2020 Amount Adjusted</u>	<u>2019 Amount Adjusted</u>
General Fund		
Property and Other Local Taxes	\$ (27,393)	\$ (27,325)
Intergovernmental	(4,107)	(4,077)
Security of Person and Property	(31,500)	(31,402)
Special Revenue Fund Type		
Property and Other Local Taxes	\$ 27,393	\$ 27,325
Intergovernmental	4,107	4,077
Security of Person and Property	31,500	31,402

The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes, including adjustments to budgeted receipts and expenditures (appropriations).

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Village Council, to help identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Village Officer's Handbook, available from the following web address, for guidance on the posting of transactions:

<http://www.ohioauditor.gov/publications/VillageOfficerManual%203-1-18.pdf>

Officials' Response: We did not receive a response to this finding.

**Village of Castalia
Erie County
Schedule of Findings
December 31, 2020 and 2019**

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

The following funds had appropriations exceeding estimated resources:

<u>Fund Type / Fund</u>	<u>Certified Resources</u>	<u>Appropriations</u>	<u>Excess</u>
December 31, 2019			
Special Revenue Fund Type:			
Street Construction, Maintenance and Repair Fund	55,789	57,553	(1,764)
State Highway Fund	5,081	8,229	(3,148)
Permissive Motor Vehicle License Fund	16,334	41,755	(25,421)
Enforcement and Education Fund	6,356	7,176	(820)
December 31, 2020			
Special Revenue Fund Type:			
Permissive Motor Vehicle License Fund	14,213	33,100	(18,887)
Enforcement and Education Fund	2,072	6,300	(4,228)

The compliance matters above were not identified and corrected prior to the audit due to deficiencies in the Village’s internal controls over compliance monitoring. The failure to limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

The Fiscal Officer should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

Officials’ Response: We did not receive a response to this finding.

**Village of Castalia
Erie County
Schedule of Findings
December 31, 2020 and 2019**

FINDING NUMBER 2020-003

Material Weakness – Financial Reporting

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. In addition to the adjustments noted in Findings 2020-001 we identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2019:

- Capital Projects Fund Principal Payments in the amount of \$10,751 were improperly classified as Transportation disbursements in the Permissive Motor Vehicle Fund;
- Capital Project Fund Intergovernmental Revenues in the amount of \$2,039 were improperly recorded in the General Fund.
- Notes to the December 31, 2019 Financial Statements required significant updates and revisions.

We also identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2020:

- Capital Projects Fund Principal Payments in the amount of \$5,376 were improperly classified as Transportation disbursements in the Permissive Motor Vehicle Fund;
- Capital Project Fund Intergovernmental Revenues in the amount of \$2,054 were improperly recorded in the General Fund.
- Notes to the December 31, 2020 Financial Statements required significant updates and revisions.

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate. The accompanying financial statements have been adjusted to correct these errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Village Council, to help identify and correct errors and omissions.

Additionally, the Fiscal Officer can refer to the Village Officer's Handbook at the following website address for guidance on the recording of transactions: <http://www.ohioauditor.gov/publications/VillageOfficerManual%203-1-18.pdf>.

Officials' Response: We did not receive a response to this finding.

**Village of Castalia
Erie County
Schedule of Findings
December 31, 2020 and 2019**

FINDING NUMBER 2020-004

Material Weakness – Prior Year’s Findings for Adjustments

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.

In prior years, findings for adjustments were issued to correctly classify certain activities recorded by the Village for transactions which were not posted correctly in accordance with Ohio Rev. Code § 5705.10. The Village has decided not to record these adjustments and, as a result, the fund balances reported by the Village at January 1, and December 31, 2019 and 2020, respectively, were overstated in the General Fund Capital Projects Fund by \$4,142 and 11,986, respectively. Additional understated in the in the Permissive Motor Vehicle License Fund by \$16,128. We qualified our opinion for this matter.

We recommend the Village record these adjustments to the Village’s accounting records.

Officials’ Response: We did not receive a response to this finding.

**Village of Castalia
Erie County
Schedule of Prior Findings
December 31, 2020 and 2019**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2018-001	Noncompliance and Material Weakness – ORC 5705.10(C)	No	Reissued as Finding 2020-001
2018-002	Noncompliance – ORC 5705.39	No	Reissued as Finding 2020-002
2018-003	Material Weakness – Financial Report	No	Reissued as Finding 2020-003
2018-004	Material Weakness – Prior Year’s Findings for Adjustments	No	Reissued as Finding 2020-004

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CASTALIA

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/2/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov