



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF CASTALIA
ERIE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Castalia
126 Main Street
Castalia, OH 44824-0451

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, 2021 through December 31, 2022. 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 black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 14, 2024

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**VILLAGE OF CASTALIA
ERIE COUNTY**

*For the Years Ended December 31, 2022 and 2021
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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Castalia, Erie County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements 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 years ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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

BHM CPA Group, Inc.
Piketon, Ohio
January 31, 2024

**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, 2022**

	<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	\$ 97,040	\$ 33,920	\$ 14,233	\$ 145,193
Intergovernmental	42,002	109,484	1,957	153,443
Special Assessments	-	156	-	156
Fines, Licenses and Permits	30,693	-	-	30,693
Earnings on Investments	289	54	-	343
Miscellaneous	54	-	-	54
	<u>170,078</u>	<u>143,614</u>	<u>16,190</u>	<u>329,882</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons & Property	101,910	64,850	-	166,760
Public Health Services	541	-	-	541
Community Environment	1,385	-	-	1,385
Basic Utility	450	-	-	450
Transportation	-	93,885	-	93,885
General Government	50,549	19	234	50,802
Capital Outlay	-	-	26,890	26,890
	<u>154,835</u>	<u>158,754</u>	<u>27,124</u>	<u>340,713</u>
Total Cash Disbursements				
Net Change in Fund Cash Balances	15,243	(15,140)	(10,934)	(10,831)
Fund Cash Balances, January 1	<u>58,157</u>	<u>198,918</u>	<u>3,856</u>	<u>260,931</u>
Fund Cash Balances, December 31	<u>\$ 73,400</u>	<u>\$ 183,778</u>	<u>\$ (7,078)</u>	<u>\$ 250,100</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, 2022

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 six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Erie County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 9 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 which is 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 Fund:

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.

Capital Projects Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for capital projects. The Village had the following significant Capital Projects Fund:

Road and Bridge The road and bridge capital projects fund accounts for and reports that portion of the property taxes which are restricted for road and bridge capital outlay within the Village.

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 (C). 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 (C) 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, function or object 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.

A summary of 2022 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.

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:

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$184,227	\$170,078	(\$14,149)
Special Revenue	132,190	143,614	11,424
Capital Projects	15,582	16,190	608
Total	\$331,999	\$329,882	(\$2,117)

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$259,165	\$154,835	\$104,330
Special Revenue	299,038	158,754	140,284
Capital Projects	34,726	27,124	7,602
Total	\$592,929	\$340,713	\$252,216

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit and investment accounts are as follows:

	2022
<i>Cash Management Pool:</i>	
Demand deposits	\$250,100
Total deposits	250,100
Total carrying amount of deposits held in the Pool	250,100

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; 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 Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 – Risk Management

Workers' Compensation

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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

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 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 9 – 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 10 – 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from 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, 2021**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 88,484	\$ 34,182	\$ 13,222	\$ 135,888
Intergovernmental	37,693	110,595	7,549	155,837
Special Assessments	-	13,132	-	13,132
Fines, Licenses, and Permits	11,427	-	-	11,427
Earnings on Investments	137	107	-	244
Miscellaneous	6,295	-	-	6,295
	<u>144,036</u>	<u>158,016</u>	<u>20,771</u>	<u>322,823</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	49,664	19,814	-	69,478
Public Health Services	1,310	-	-	1,310
Leisure Time Activities	2,970	-	-	2,970
Community Environment	1,385	-	-	1,385
Basic Utility Services	6,730	-	-	6,730
Transportation	11,167	75,346	-	86,513
General Government	51,225	-	-	51,225
Capital Outlay	-	-	22,000	22,000
Debt Service:				
Principal Retirement	-	16,127	-	16,127
	<u>124,451</u>	<u>111,287</u>	<u>22,000</u>	<u>257,738</u>
Total Cash Disbursements				
Excess of Receipts Over/(Under) Disbursements	19,585	46,729	(1,229)	65,085
Other Financing Receipts (Disbursements):				
Other Financing Sources	2,000	-	-	2,000
	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total Other Financing Receipts (Disbursements)				
Special Item	-	-	-	-
Net Change in Fund Cash Balances	21,585	46,729	(1,229)	67,085
Fund Cash Balances, January 1, Restated	56,386	132,375	5,085	193,846
Fund Cash Balances, December 31	<u>\$ 77,971</u>	<u>\$ 179,104</u>	<u>\$ 3,856</u>	<u>\$ 260,931</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, 2021

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 six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Erie County Sheriff's department to provide security of persons and property.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 9 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 which is 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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned 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 funds:

Road and Bridge The road and bridge capital projects fund accounts for and reports that portion of the property taxes which are restricted for road and bridge capital outlay within the Village.

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 (C). 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 (C) 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, function or object 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.

A summary of 2021 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.

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:

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$302,432	\$146,036	(\$156,396)
Special Revenue	146,226	158,016	11,790
Capital Projects	15,581	20,771	5,190
Total	\$464,239	\$324,823	(\$139,416)

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$176,840	\$124,451	\$52,389
Special Revenue	152,600	111,287	41,313
Capital Projects	22,000	22,000	0
Total	\$351,440	\$257,738	\$93,702

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit and investment accounts are as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$260,391
Total deposits	260,391
Total carrying amount of deposits held in the Pool	260,391

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; 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 Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Risk Management

Workers' Compensation

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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 9 – 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.

Village of Castalia, Ohio
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – 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. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Note 11 – Restatement of Beginning Balances

The Village has restated its beginning balances and has agreed to post prior audit adjustments that were previously outstanding. Additionally, prior period accounting errors were corrected.

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund Cash Balances, December 31, 2020	\$ 60,528	\$ 116,247	\$ 14,529
Posting Prior Audit Adjustments:	(4,142)	16,128	(11,986)
Correction of Prior Period Errors:	-	-	2,542
Restated Fund Cash Balances, January 1, 2021	<u>\$ 56,386</u>	<u>\$ 132,375</u>	<u>\$ 5,085</u>



**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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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 years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Castalia, Erie County, (the Village) and have issued our report thereon dated January 31, 2024, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control 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 2022-001 through 2022-003 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying schedule of findings as items 2022-001 and 2022-003.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
January 31, 2024

**Village of Castalia
Erie County
Schedule of Findings
December 31, 2022 and 2021**

1. SUMMARY OF AUDITOR'S RESULTS

FINDING NUMBER 2022-001

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, 2022 and 2021 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>2022 Amount Adjusted</u>	<u>2021 Amount Adjusted</u>
General Fund		
Property and Other Local Taxes	\$ (27,591)	\$ (15,718)
Intergovernmental	(3,913)	(4,096)
Security of Person and Property	(31,504)	(19,814)
Special Revenue Fund Type		
Property and Other Local Taxes	\$ 27,591	\$ 15,718
Intergovernmental	3,913	4,096
Security of Person and Property	31,504	19,814

The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes.

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:

<https://ohioauditor.gov/publications/docs/Village%20Officers%20Manual.pdf>.

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

**Village of Castalia
Erie County
Schedule of Findings
December 31, 2022 and 2021**

FINDING NUMBER 2022-002

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 Finding 2022-001 we identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2021:

- Principal Payments in the amount of \$16,127 were improperly classified as Transportation disbursements in the Special Revenue funds;
- Capital Project Fund Intergovernmental Revenues in the amount of \$2,048 were improperly recorded in the General Fund.
- General Fund Transportation disbursements in the amount of \$11,167 were improperly classified as Security of Persons and Property disbursements.
- Notes to the December 31, 2021 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, 2022:

- Capital Project Fund Intergovernmental Revenues in the amount of \$1,957 were improperly recorded in the General Fund.
- Notes to the December 31, 2022 Financial Statements required 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:
<https://ohioauditor.gov/publications/docs/Village%20Officers%20Manual.pdf>.

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

**Village of Castalia
Erie County
Schedule of Findings
December 31, 2022 and 2021**

FINDING NUMBER 2022-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Furthermore, the aforementioned section requires all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose be paid into a special fund for such purpose.

In addition, **Ohio Rev. Code § 5705.10(I)** provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2022, the Village's Capital Projects fund had a deficit balance of (\$7,078).

The lack of a policy regarding financial review contributed to the above errors occurring without detection. The accounting records and financial statements were adjusted to correct these misstatements.

Improper posting of revenues could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly posted in the accounting ledgers so that Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process Village Council should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations. Additionally, the Village may transfer monies from the General Fund to the Capital Projects fund to prevent noncompliance in future periods.

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

**Village of Castalia
Erie County
Schedule of Prior Findings
December 31, 2022 and 2021**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2020-001	Noncompliance and Material Weakness – ORC 5705.10(C)	No	Reissued as Finding 2022-001
2020-002	Noncompliance – ORC 5705.39	Yes	
2020-003	Material Weakness – Financial Report	No	Reissued as Finding 2022-002
2020-004	Material Weakness – Prior Year’s Findings for Adjustments	Yes	

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 3/26/2024

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