



Dave Yost • Auditor of State

VILLAGE OF CUSTAR
WOOD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Custar
Wood County
23405 Defiance Pike
Custar, Ohio 43511

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Custar, Wood County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1B 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Custar, Wood County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, 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.



Dave Yost
Auditor of State

Columbus, Ohio

October 15, 2015

**VILLAGE OF CUSTAR
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$23,561	\$1,029		\$24,590
Intergovernmental	14,568			14,568
Special Assessments	132	8,884		9,016
Charges for Services	450			450
Fines, Licenses and Permits	245			245
Earnings on Investments	72	8		80
Miscellaneous	60			60
<i>Total Cash Receipts</i>	<u>39,088</u>	<u>9,921</u>		<u>49,009</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,384			1,384
Leisure Time Activities	18,205			18,205
Community Environment	365			365
Transportation		7,792		7,792
General Government	17,740			17,740
Capital Outlay			\$1,219	1,219
<i>Total Cash Disbursements</i>	<u>37,694</u>	<u>7,792</u>	<u>1,219</u>	<u>46,705</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,394	2,129	(1,219)	2,304
Other Financing Disbursements				
Other Financing Uses	(461)			(461)
<i>Net Change in Fund Cash Balances</i>	933	2,129	(1,219)	1,843
<i>Fund Cash Balances, January 1</i>	<u>62,769</u>	<u>58,355</u>	<u>\$1,219</u>	<u>122,343</u>
Fund Cash Balances, December 31				
Restricted		60,484		60,484
Assigned	2,472			2,472
Unassigned	61,230			61,230
<i>Fund Cash Balances, December 31</i>	<u>\$63,702</u>	<u>\$60,484</u>		<u>\$124,186</u>

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

VILLAGE OF CUSTAR
WOOD COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$262,215</u>
Operating Cash Disbursements	
Personal Services	13,051
Employee Fringe Benefits	3,052
Contractual Services	204,720
Supplies and Materials	7,581
Other	<u>975</u>
<i>Total Operating Cash Disbursements</i>	<u>229,379</u>
<i>Net Change in Fund Cash Balances</i>	32,836
<i>Fund Cash Balances, January 1</i>	<u>409,819</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$442,655</u></u>

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

**VILLAGE OF CUSTAR
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,649	\$990		\$21,639
Intergovernmental	6,050	8,810		14,860
Fines, Licenses and Permits	305			305
Earnings on Investments	950	127		1,077
Miscellaneous	195			195
<i>Total Cash Receipts</i>	<u>28,149</u>	<u>9,927</u>		<u>38,076</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,397			1,397
Leisure Time Activities	1,888			1,888
Community Environment	1,082			1,082
Transportation		4,966		4,966
General Government	21,210			21,210
<i>Total Cash Disbursements</i>	<u>25,577</u>	<u>4,966</u>		<u>30,543</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,572</u>	<u>4,961</u>		<u>7,533</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	50			50
Other Financing Uses	(1,437)			(1,437)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,387)</u>			<u>(1,387)</u>
<i>Net Change in Fund Cash Balances</i>	1,185	4,961		6,146
<i>Fund Cash Balances, January 1</i>	<u>61,584</u>	<u>53,394</u>	<u>\$1,219</u>	<u>116,197</u>
Fund Cash Balances, December 31				
Restricted		58,355		58,355
Committed			1,219	1,219
Assigned	10,028			10,028
Unassigned	52,741			52,741
<i>Fund Cash Balances, December 31</i>	<u>\$62,769</u>	<u>\$58,355</u>	<u>\$1,219</u>	<u>\$122,343</u>

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

VILLAGE OF CUSTAR
WOOD COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$189,568</u>
Operating Cash Disbursements	
Personal Services	12,416
Employee Fringe Benefits	1,971
Contractual Services	167,080
Supplies and Materials	8,399
Other	<u>749</u>
<i>Total Operating Cash Disbursements</i>	<u>190,615</u>
<i>Net Change in Fund Cash Balances</i>	(1,047)
<i>Fund Cash Balances, January 1</i>	<u>410,866</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$409,819</u></u>

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

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Custar, Wood County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides electric utility and park operations. The Village contracts with the Village of Weston to receive ambulance service.

The Village participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 8, 9, 10 and 11 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc. (OPRM) is available to public entities in Ohio. OPRM provides property and casualty coverage for its members.

Jointly Governed Organizations:

AMP Ohio

Joint Ventures:

Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

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

B. Accounting Basis

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 Village 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.

C. 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.

The Village values certificates of deposit at cost.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permissive Motor Vehicle License Fund – This fund receives license tax money that is restricted to repairing the roads.

3. 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 Fund:

Special Assessment Construction Fund – This fund received special assessments. The proceeds were used for noise abatement.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$402,728	\$368,049
Certificates of deposit	164,113	164,113
Total deposits	\$566,841	\$532,162

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,311	\$39,088	\$11,777
Special Revenue	9,879	9,921	42
Enterprise	236,800	262,215	25,415
Total	\$273,990	\$311,224	\$37,234

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,339	\$40,627	(\$3,288)
Special Revenue	17,206	11,032	6,174
Capital Projects	1,219	1,219	
Enterprise	253,262	233,335	19,927
Total	\$309,026	\$286,213	\$22,813

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,283	\$28,199	\$10,916
Special Revenue	9,750	9,927	177
Enterprise	233,750	189,568	(44,182)
Total	\$260,783	\$227,694	(\$33,089)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,854	\$28,574	\$280
Special Revenue	8,034	8,152	(118)
Enterprise	217,961	219,269	(1,308)
Total	\$254,849	\$255,995	(\$1,146)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$3,288 and the Deposit Fund by \$775 for the year ended December 31, 2014 and in the Street, Construction, Maintenance and Repair Fund by \$118, the Electric Fund by \$1,058 and the Deposit Fund by \$250 for the year ended December 31, 2013.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Property Tax

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.

Public utilities are also taxed on personal and real property located within the Village.

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

5. Long Term Purchase Commitment

American Municipal Power Generating Station (AMPGS)

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 110 kilowatts of a total 771,281 kilowatts, giving the Village a 0.01 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$19,213. The Village received a credit of \$4,975 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$14,238. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable. The Village made payments in 2014 totaling \$14,238 leaving a net impaired cost estimate of \$134 at December 31, 2014.

The Village elected to finance this amount through lump sum payments.

6. Contingent Liability

Northwestern Water and Sewer District

During 2009, the Village entered into an agreement with the Northwestern Water and Sewer District (the District) to transfer the sewer system and all operations to the District from the Village. In February 2009, the system and all current operations were transferred over to the District, at which time, Northwestern Water and Sewer District assumed all responsibility for the outstanding debt related to the Village's sewer system with the Ohio Water Development Authority and the Ohio Public Works Commission.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Contingent Liability – (Continued)

As of February 2009, the District completes all billings, and collections. The District also maintains all collections and completes all maintenance and repairs related to the sewer system.

During 2006, a sanitary sewer and waste water treatment plant loan was entered into with the Ohio Water Development Authority and disbursements in the amount of \$782,759 were made from the loan during that period. The loan repayments began during 2007 and will be repaid in semiannual installments of \$16,248.78 including interest of 1.5% over 30 years as set forth within the amortization schedule. During 2009, the total outstanding balance on the loan was transferred to the Northwestern Water and Sewer District who are current on the payments of this loan. As of December 31, 2014, the outstanding balance of the loan was \$618,643.

During 2007, the Village entered into a loan agreement with the Ohio Public Works Commission (OPWC) for wastewater collection and treatment. The original amount of the loan was \$25,000 and will be repaid in semiannual installments of \$625 for 20 years. During 2009, the total outstanding balance on the loan was transferred to the Northwestern Water and Sewer District who are current on the payments of this loan. As of December 31, 2014, the outstanding balance of the loan was \$15,625.

7. 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. For 2014 and 2013, 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, 2014.

8. Risk Management

Risk Pool Membership

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

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

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. Risk Management – (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

9. Ohio Municipal Electric Generation Agency Venture (OMEGA JV2)

The Village of Custar is a Non-Financing Participant and an Owner Participant with an ownership percentage of .0029833% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Ohio Municipal Electric Generation Agency Venture (OMEGA JV2) – (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2014, the outstanding debt was \$11,938,283. The Village's net investment in OMEGA JV2 was \$589 at December 31, 2014. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2014 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. Ohio Municipal Electric Generation Agency Venture (OMEGA JV5)

The Village of Custar is a Financing Participant with an ownership percentage of .06 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2014 Custar has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. Ohio Municipal Electric Generation Agency Venture (OMEGA JV5) – (Continued)

The Village's net investment to date in OMEGA JV5 was \$1,793 at December 31, 2014. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

11. AMP Ohio

The Village is a member of AMP-Ohio which is a jointly governed organization between 83 municipalities throughout Ohio, two municipalities in West Virginia, twenty-nine municipalities in Pennsylvania, six municipalities in Michigan, five municipalities in Virginia, four municipalities in Kentucky, one each in Indiana and Maryland and one joint action agency in Delaware. The purpose of AMP-Ohio is to provide electric capacity and energy and to furnish other services to its members.

AMP-Ohio is governed by a Board of Trustees consisting of sixteen members. Each member designates its own representative to the Board of Trustees. Eight of the trustee members are selected by their fellow AMP-Ohio members in each of the services groups. The other eight Board members are elected at large. The main source of revenues is from the sale of electric power. The Village remitted \$196,189 for 2014 and \$155,890 for 2013 to AMP-Ohio.

12. Segment Information

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 8 and 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<u>2014</u>	<u>2013</u>
Total Assets	\$435,883	\$402,522
Total Liabilities	\$60,254	\$66,267
 Condensed Operating Information:		
Operating Receipts		
Charges for Services	261,965	188,618
Operating Expenses	<u>228,604</u>	<u>190,115</u>
Operating Income (Loss)	33,361	(1,497)
Beginning Fund Cash Balance	402,522	404,019
Ending Fund Cash Balance	<u>\$435,883</u>	<u>\$402,522</u>
 Condensed Cash Flows Information:		
	<u>2014</u>	<u>2013</u>
Net Cash Provided (Used) by:		
Operating Activities	<u>\$33,361</u>	<u>(\$1,497)</u>
Net Increase (Decrease)	33,361	(1,497)
Beginning Fund Cash Balance	402,522	404,019
Ending Fund Cash Balance	<u>\$435,883</u>	<u>\$402,522</u>

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

Village of Custar
Wood County
23405 Defiance Pike
Custar, Ohio 43511

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Custar, Wood County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2015, 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.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2014-001 and 2014-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

October 15, 2015

**VILLAGE OF CUSTAR
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Financial Reporting

Accurate 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 is complete and accurate.

Transactions, such as the following, required adjustments to the accompanying financial statements and where applicable, accounting records:

- In 2014 the Enterprise Fund delinquent utilities paid through property tax collections totaling \$10,630 were coded to transfers in rather than charges for services.
- Kilowatt taxes totaling \$2,529 was not taken out of the Enterprise Fund and posted to the General Fund in 2014.
- A Capital Projects Fund totaling \$1,219 was improperly closed into the General Fund in 2013 resulting in Capital Project expenditures totaling \$1,219 being expended in the General Fund in 2014.
- An expenditure of \$10,502 for electricity was posted twice in the Enterprise Fund in 2014.

Due to insufficient monitoring by management, adjusting entries ranging in amounts from \$50 to \$10,502 were posted to the financial statements to correct these and other errors.

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

Official's Response:

Delinquent Utilities: The Village Handbook will be reviewed to help determine the correct accounts to use.

Kilowatt tax: We will work with the Utility Clerk to correct this. The new utility software implemented in 2015 should help with this.

FINDING NUMBER 2014-002

Noncompliance Citation

Ohio Rev. Code §5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. In 2014, expenditures exceeded appropriations by \$3,288 in the General Fund and \$775 in the Deposit Fund. In 2013, expenditures exceeded appropriations by \$118 in the Street, Construction, Maintenance and Repair Fund, \$1,058 in the Electric Fund and \$250 in the Deposit Fund due to a lack of reviewing budget vs. actual amounts.

Failure to have adequate appropriations in place at the time the expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

**FINDING NUMBER 2014-002
(Continued)**

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Official's Response:

Ohio Rev. Code §5705.41(B) found in the Auditor of State's compliance supplement will be reviewed and we will work to keep expenditures from exceeding appropriations.

FINDING NUMBER 2014-003

Material Weakness

GASB 54 Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed such as encumbrances. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

Encumbrances of \$2,472 in 2014 and \$1,560 in 2013 in the General fund were classified as Unassigned instead of Assigned.

In 2014 annual appropriation exceeded estimated receipts in the General fund as follows:

	<u>2014</u>
Estimated Receipts	\$27,311
Appropriations	<u>35,779</u>
Deficit	<u><u>(\$8,468)</u></u>

The amount of the deficit noted above should have been recognized as assigned for subsequent year's appropriations instead of being classified as unassigned.

These errors occurred as a result of a lack of understanding of GASB 54. Adjustments were recorded to the 2014 and 2013 financial statements to change the above differences in fund balance classification.

In order to ensure the Village's fund balances are reported in accordance with GASB 54, we recommend the Fiscal Officer review and follow Auditor of State Bulletin 2011-004.

Official's Response:

AOS Bulletin 2011-004 will be reviewed. During End of Year closing procedures GASB 54 will be followed. Encumbrances will be classified as assigned and appropriations that exceed estimated receipts will be classified as assigned.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code §5705.10 due to improper posting of property tax revenue.	Yes	
2012-002	Material weakness due to lack of monitoring controls by Council over financial reporting.	No	Not corrected and repeated as Finding 2014-001 in this report.

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VILLAGE OF CUSTAR

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2015